CHEN XING

Chen Xing Development Holdings Limited

辰興發展控股有限公司

誠以致遠，信達天下

2018

ANNUAL REPORT

年度報告

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Bai Xuankui *(Chairman)*
Mr. Bai Wukui
Mr. Bai Guohua
Mr. Dong Shiguang

Independent Non-executive Directors

Mr. Gu Jiong
Mr. Tian Hua
Mr. Qiu Yongqing

COMPANY SECRETARY

Ms. Ng Wing Shan

AUTHORIZED REPRESENTATIVES

Mr. Bai Guohua
Ms. Ng Wing Shan

AUDIT COMMITTEE

Mr. Gu Jiong *(Chairman)*
Mr. Tian Hua
Mr. Qiu Yongqing

REMUNERATION COMMITTEE

Mr. Tian Hua *(Chairman)*
Mr. Gu Jiong
Mr. Bai Xuankui

NOMINATION COMMITTEE

Mr. Bai Xuankui *(Chairman)*
Mr. Qiu Yongqing
Mr. Gu Jiong

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
China Merchants Bank Co. Ltd.
Bank of Jinzhong Co. Ltd.

CORPORATE INFORMATION

LEGAL ADVISORS

As to Hong Kong law
L&C Legal LLP (in association with
Jingtian & Gongcheng)

As to PRC law
Jingtian & Gongcheng

REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
(the "**Stock Exchange**")

STOCK CODE

2286

COMPANY WEBSITE

www.chen-xing.cn

FINANCIAL HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of Chen Xing Development Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**" or "**We**") is pleased to announce to the Company's shareholders (the "**shareholders**") the audited annual results of the Group for the year ended 31 December 2018 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2017.

— Contracted sales for the Reporting Period amounted to approximately RMB1,862.1 million and the corresponding contracted gross floor area ("**GFA**") amounted to approximately 229,855 sq.m., representing an increase of approximately 25.0% and a decrease of approximately 3.3% comparing with the same period last year, respectively;

— Revenue for the Reporting Period amounted to approximately RMB1,064.7 million, of which approximately RMB1,057.4 million was revenue from property development;

— Gross profit for the Reporting Period amounted to approximately RMB366.7 million, of which approximately RMB359.4 million was gross profit from property development;

— Net profit for the Reporting Period amounted to approximately RMB131.2 million, of which approximately RMB124.9 million was net profit attributable to equity holders of the Company;

— Total GFA of land bank amounted to approximately 2,878,473 sq.m. and the average cost of land bank was approximately RMB746.3 per sq.m. as at the end of Reporting Period;

— Contracted average sales price (the "**Average Sales Price**") for the Reporting Period was approximately RMB8,101.2 per sq.m.;

— Basic earnings per share for the Reporting Period was RMB0.25; and

— The Board resolved not to declare the payment of final dividend for the year ended 31 December 2018.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2018.

Review of and Annual Results for 2018

In 2018, numerous control policies on China's real estate market regulation were intensively promulgated. With "residential flats are for shelter, not for speculation" and "equal importance for rental as well as purchase" as the keynotes, the regulation and control policy system was continuously improved, and the real estate industry as a whole demonstrated a rally in the beginning of the year which was cooled down afterwards. In the first half of 2018, "policies customised for individual cities", "categorised regulatory controls" and other principles were implemented throughout China, contributing to the thriving environment of the industry. The steady growth of developers' gross floor area and saleable area exhibited an upward trend. In the second half of 2018, stricter regulation and control policies were introduced one after another to curb the excessive rise in housing prices, contributing to aborted land auctions and disorientation in the real estate intermediary market in a number of cities. The real estate market across China showed signs of an obvious restraint and downward trend. The Group timely adjusted its operating strategy according to the policies in the industry and the market conditions, and successfully continued the satisfactory operating results it had enjoyed throughout 2018.

During the Reporting Period, the Group's contracted sales amounted to approximately RMB1,862.1 million, representing an increase of approximately 25.0% as compared with the same period last year; the Group's total contracted GFA amounted to approximately 229,855 sq.m., representing a decrease of approximately 3.3% as compared with the same period last year.

During the Reporting Period, the Group recorded a revenue of approximately RMB1,064.7 million, representing a decrease of approximately 1.1% as compared with the same period last year, among which, revenue from property development was approximately RMB1,057.4 million, representing a decrease of approximately 1.1% as compared with the same period last year. During the year, profit attributable to the owners of the Group was approximately RMB124.9 million, representing a decrease of approximately 27% as compared with the same period last year, which was mainly due to the decrease of Group's revenue and the fair value of the Group's investment properties and the increase of selling and distribution expenses, administrative expenses and finance costs during the Reporting Period.

In respect of land acquisition, the Group actively looked for suitable land resources which were cost effective. Due to more stringent regulatory measures on the real estate industry imposed by the government, as well as tighter financing environment, most of the land markets were weakened, resulting in continuous adjustments of land transaction prices. To avoid paying high prices in acquisition of lands, the Group continued with its prudent strategies in land acquisition and land development. Meanwhile, the

Company constantly explored new modes of development and expanded the Group's business by adopting the method of equity merger and acquisition. On 29 June 2018, the Group acquired 80% equity interest in Shanxi Chang Xing Zhicheng Construction Engineering Co., Ltd. (山西昌興致誠建築工程有限公司) ("**Chang Xing Zhicheng**"). After the acquisition, Chang Xing Zhicheng became an indirect subsidiary of the Group.

During the Reporting Period, the Group's land bank of approximately 2,878,473 sq.m..

Final Dividend

The Board resolved not to declare the payment of final dividend for the year ended 31 December 2018.

Prospect for 2019

Amid the steady economic conditions enjoyed by China today, it is exposed to various changes. The external environment has been undergoing profound changes with increasing downward economic pressure. Certain enterprises are experiencing a log of difficulties in their operations such as difficulties in obtaining finance by the private enterprises and conspicuous problems of regional differentiation. Meanwhile, the continuous promulgation of favourable reform policies including personal tax reform and support for private economy will facilitate the relatively steady growth of the real estate industry and property market. It is foreseeable that the regulatory and control policies will continue in 2019, the main theme of regulatory control on the property market and the industry will remain with long term efforts in restraining real estate bubble and minimising regional differentiation.

According to the Group's judgment of the future development trend based on the current situation of China's real estate market, in 2019, the Group will continue to focus on the development of residential properties for buyers with rigid demands, reduce the development cycle, effectively control development costs, actively promote project sales, and effectively utilise the existing inventories to improve the Group's competitiveness in the industry. In addition, the Group will continue to carry out positive and beneficial explorations and attempts in areas such as industrial real estate, cultural tourism and hotel management, and look for multiple ways to promote the Group's diversified development.

In 2019, the Group will be in a critical period characterised by rapid expansion of projects and accelerated extension of its industrial chain, during which a reserve of talents is crucial. The Group will continuously increase its capacity in recruitment of talents to address the talent bottleneck issue. Furthermore, the Group will continue to develop strategic partners, explore different models and expand the scope of cooperation. By capitalising on our cooperative partners' complementary advantages, we hope to achieve the rapid growth of the Group, and create greater benefits for the Group, our cooperative partners and the shareholders.

ACKNOWLEDGMENT

Finally, I would like to express my sincerest gratitude, on behalf of the Board, to the management and the whole staff of the Company for their hard work. Meanwhile, I would also like to thank the investors, customers and partners for their unfailing support and trust in the Group.

Bai Xuankui
Chairman

Jinzhong, Shanxi, China
27 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group's contracted sales amounted to approximately RMB1,862.1 million, representing an increase of approximately 25.0% as compared with the same period last year. During the Reporting Period, the Group's revenue amounted to approximately RMB1,064.7 million, representing a decrease of approximately 1.1% as compared with the same period last year, among which, revenue from property development was approximately RMB1,057.4 million, representing a decrease of approximately 1.1% as compared with the same period last year. During the Reporting Period, net profit of the Group amounted to approximately RMB131.2 million, of which net profit attributable to the Company's equity holders was approximately RMB124.9 million.

CONTRACTED SALES

The Group's contracted sales for the years ended 31 December 2018 and 2017 were approximately RMB1,862.1 million and RMB1,489.5 million, respectively, representing an increase of approximately 25.0%. The Group's total contracted GFAs for the years ended 31 December 2018 and 2017 were approximately 229,855 sq.m. and 237,638 sq.m., respectively, representing a decrease of approximately 3.3%. By geographical location, the Group's contracted sales from Jinzhong, Taiyuan and Mianyang, were approximately RMB31.6 million, RMB1,245.6 million and RMB584.9 million, respectively, representing approximately 1.7%, 66.9% and 31.4% of the Group's total contracted sales, respectively.

The table below sets forth the Group's contracted sales for the year ended 31 December 2018 by geographic location:

	Contracted Sales for 2018 (RMB million)	Contracted Sales for 2017 (RMB million)	Contracted GFA for 2018 (sq.m.)	Contracted GFA for 2017 (sq.m.)	Average Contracted Sales Price for 2018 (RMB/sq.m.)	Average Contracted Sales Price for 2017 (RMB/sq.m.)
Jinzhong						
Upper East Gardens (上東庭院) Phase II	—	6.1	—	1,326	—	4,632.0
Grand International Apartments (君豪公寓)	0.9	2.6	248	655	3,745.0	4,001.6
Xin Xing International Cultural Town (新興國際文教城) (Phases III, IV and V)	30.7	26.1	8,234	5,812	3,725.0	4,496.1
Taiyuan						
Yosemite Valley Town — Taiyuan (龍城優山美郡) (Phase I)	207.0	568.0	24,607	72,323	8,412.9	7,854.2
Yosemite Valley Town — Taiyuan (龍城優山美郡) (Phase II)	965.4	449.3	116,013	63,165	8,321.2	7,113.1
Yosemite Valley Town — Taiyuan (龍城優山美郡) (Phase III)	73.2	—	8,094	—	9,048.7	—
Mianyang						
Yosemite Valley Town — Mianyang (綿陽優山美郡)	6.6	12.7	1,066	3,008	6,184.9	4,230.2
Elite Gardens (綿陽天御)	1.4	10.8	554	3,279	2,521.8	3,303.9
Chang Xing Star Gardens (綿陽長興星城)	576.9	413.9	71,039	88,070	8,120.6	4,700.2
Total	1,862.1	1,489.5	229,855	237,638	8,101.2	6,267.9

Note:

Contracted Sales, Contracted GFAs and Average Contracted Sales Price in the above table also include the car parking spaces sold, if applicable.

Property Projects

The Group's property projects fall into the following three categories by the development stage: completed properties, properties under development and properties held for future development. As some projects are developed in several phases, a single project may fall into different development stages: completed, under development and held for future development.

As at 31 December 2018, the Group had a completed total GFA of approximately 2,484,143 sq.m. and a land bank with a total GFA of approximately 2,878,473 sq.m., comprising (i) a total GFA of approximately 243,965 sq.m. which is completed but unsold; (ii) a total GFA of approximately 1,535,906 sq.m. which is under development; and (iii) a total planned GFA of approximately 1,098,602 sq.m. held for future development.

The Group selectively retains the ownership of substantially all self-developed commercial properties with a strategic value to generate sustainable and stable revenue. As at 31 December 2018, the Group had investment properties with a total GFA of approximately 21,613 sq.m..

Property Portfolio Summary

Intended use[1]	Total GFA Completed (sq.m.)	GFA under development (sq.m.)	Total GFA Held for future development (sq.m.)
Mid-rise	786,168	91,847	632,108
High-rise	869,043	836,430	—
Townhouses	27,612	—	—
Multi-story garden apartments	576,743	26,350	54,452
Retail outlets	153,235	184,134	171,672
SOHO apartments	6,931	—	29,404
Hotels	—	12,182	89,910
Parking spaces	59,524	365,810	120,801
Ancillary facilities[2]	4,887	19,153	255
Total GFA	2,484,143	1,535,906	1,098,602
Attributable GFA[3]	2,398,492	1,190,908	1,022,972

Notes:

(1) Includes the portion of GFA held by the Group as public facilities (not saleable or leasable).

(2) Includes primarily public facilities which are not saleable.

(3) Comprises the total GFA attributable to the Group based on the Group's actual interests in the relevant projects or project phases.

Completed Projects

The following table sets forth a summary of the information about the Group's completed projects and corresponding project phases, if any, as at 31 December 2018:

Project	Project type	Actual completion date	Site area (sq.m.)	Completed GFA (sq.m.)	Saleable/ Leaseable GFA remaining unsold (sq.m.)	GFA held for investment (sq.m.)	GFA sold (sq.m.)	Other GFA[1] (sq.m.)	Ownership interest[2] (%)
Jinzhong									
1. East Lake Mall (東湖井)	Retail outlets	July 2000	1,330	17,886	–	10,610	7,276	–	100.00
2. Grand International Mall & Apartments (君豪國際)	Residential/ Commercial	June 2007	7,465	65,544	9,874	8,241	47,429	–	100.00
3. Blossom Gardens (錦綉新城)	Residential	April 2007	5,261	39,080	–	–	39,080	–	100.00
4. Xin Xing International Cultural Town (新興國際文教城)									
Phase I	Residential	December 2005	5,600	24,602	–	–	24,602	–	100.00
Phase II	Residential/ Commercial	April 2012	17,968	93,060	–	–	92,909	151	100.00
Phase III	Residential/ Commercial	December 2009	255,918	545,046	3,079	–	541,967	–	100.00
Phase IV	Residential/ Commercial	July 2016	30,987	71,103	2,941	–	68,162	–	100.00
Phase V	Residential/ Commercial	July 2016	22,578	50,438	3,409	–	45,994	1,035	100.00
5. Upper East Gardens (上東庭院)									
Phase I	Residential/ Commercial	November 2006	19,361	47,926	–	–	47,926	–	100.00
Phase II	Residential/ Commercial	December 2011	24,343	75,889	–	–	75,889	–	100.00
6. Riverside Gardens – Zuoquan (左權濱河嘉園)	Residential/ Commercial	December 2007	73,035	98,545	–	–	97,990	555	100.00
7. SOLO Apartments (尚座公寓)	Commercial/ Complex	September 2009	2,411	9,783	255	–	9,528	–	100.00

Project	Project type	Actual completion date	Site area (sq.m.)	Completed GFA (sq.m.)	Saleable/ Leaseable GFA remaining unsold (sq.m.)	GFA held for investment (sq.m.)	GFA sold (sq.m.)	Other GFA[1] (sq.m.)	Ownership interest[2] (%)
8. Riverside Gardens – Heshun (和順濱河小區)									
Phase I	Residential	June 2008	60,100	62,507	–	–	62,167	340	100.00
Phase II	Residential	October 2012	5,898	51,217	–	–	51,217	–	100.00
9. Mandarin Gardens – Taigu (太谷文華庭院)	Residential/ Commercial	May 2011	30,690	51,525	–	–	51,525	–	100.00
10. Shuncheng Street Underground Space (順城街地下空間)	Retail outlets	August 2015	–	897	–	–	897	–	100.00
Taiyuan									
1. Yosemite Valley Town – Taiyuan (龍城優山美郡) – Part of Southern District, Phase I	Residential/ Commercial	December 2014	115,050	340,012	8,715	–	331,297	–	100.00
2. Yosemite Valley Town – Taiyuan (龍城優山美郡) – Part of Northern District, Phase I	Residential/ Commercial	November 2016	91,048	307,416	72,351	–	235,065	–	100.00
Mianyang									
1. Yosemite Valley Town – Mianyang (綿陽優山美郡)	Residential/ Commercial	May 2012	74,124	126,329	14,573	–	109,911	1,845	83.89
2. Elite Gardens (綿陽天御)	Residential/ Commercial	September 2014	68,529	116,888	11,255	–	104,946	687	83.89
3. Chang Xing Star Gardens 綿陽星城一期 (Phase I)	Residential/ Commercial	June 2017	68,150	288,450	117,513	–	169,616	1,321	83.89
Total			**979,846**	**2,484,143**	**243,965**	**18,851**	**2,215,393**	**5,935**	
Total Attributable GFA[3]			**945,886**	**2,398,492**	**220,873**	**18,851**	**2,153,454**	**5,314**	

Notes:

(1) Includes the GFA held by the Group as public facilities (not saleable or leasable).

(2) Calculated based on the Group's actual ownership interests in the respective project companies.

(3) Comprises the total GFA attributable to the Group based on the Group's actual interests in the relevant projects or project phases.

Properties under Development and Properties Held for Future Development

The following table sets forth a summary of the information about the Group's projects under development and corresponding project stages, if any, and properties held for future development as at 31 December 2018:

Project	Project type	Site area (sq.m.)	Actual/ Estimated completion date	Under development: GFA under development (sq.m.)	Under development: Saleable/ Leasable GFA (sq.m.)	Under development: Pre-sold GFA (sq.m.)	Held for future development: Planned GFA (sq.m.)	Held for future development: GFA with the land use certificate not obtained yet (sq.m.)	Ownership interest[1] (%)
Jinzhong									
1. Phase I of Longtian Project (龍田項目一期)		**129,049**		**449,634**	**428,000**	**28,921**	**–**	**–**	**51.00**
Stage I	Residential/ Commercial/ Parking Space	14,346	June 2019	78,954	74,203	28,921	–	–	51.00
Stage II	Residential/ Commercial/ Parking Space	24,367	June 2019	110,725	101,386	–	–	–	51.00
Stage III	Residential/ Commercial/ Parking Space	26,682	December 2019	126,120	121,061	–	–	–	51.00
Stage IV	Commercial/ Parking Space	13,422	June 2019	28,819	28,819	–	–	–	51.00
Stage V	Commercial/ Parking Space	50,232	June 2019	105,016	102,531	–	–	–	51.00
2. Yijun Community (頤郡小區)		**63,174**		**116,657**	**106,707**	**–**	**154,347**	**–**	**51.00**
Phase I	Residence	46,763	June 2020	116,657	106,707	–	–	–	51.00
Phase II	Commercial	16,410	August 2021	–	–	–	44,157	–	51.00
Phase III	Residential/ commercial	41,691	June 2021	–	–	–	110,190	–	51.00
3. Yiju Meijun (頤居美郡)		**197,285**		**–**	**–**	**–**	**516,858**	**–**	**100.00**
Stage I	Residential/ commercial	197,285	December 2020	–	–	–	516,858	–	100.00
4. Shiguang Zhicheng (時光之城)	Commercial	**28,296**	December 2020	**–**	**–**	**–**	**112,476**	**–**	**100.00**
5. Xiyuan (熙苑)	Residential/ commercial	**46,603**	December 2020	**67,400**	**66,971**	**26,823**	**–**	**–**	**33.66**
6. Jinxiu SOHO (錦繡 SOHO)	Commercial	**3,461**	December 2020	**–**	**–**	**–**	**–**	**22,262**	**100.00**

Project	Project type	Site area (sq.m.)	Actual/ Estimated completion date	Under development: GFA under development (sq.m.)	Under development: Saleable/ Leasable GFA (sq.m.)	Under development: Pre-sold GFA (sq.m.)	Held for future development: Planned GFA (sq.m.)	Held for future development: GFA with the land use certificate not obtained yet (sq.m.)	Ownership interest[1] (%)
Taiyuan									
1. Yosemite Valley Town — Taiyuan (龍城優山美郡)		**212,392**		**748,490**	**645,457**	**319,999**	**–**	**–**	**100.00**
Phase I (Southern District)	Commercial/ Parking Space	2,078	June 2019	72,399	72,325	39,614	–	–	100.00
Phase I (Northern District)	Commercial/ Parking Space	16,957	June 2019	84,662	13,835	2,877	–	–	100.00
Phase II	Residential/ commercial	111,477	December 2019	374,549	355,271	269,414	–	–	100.00
Phase III	Residential/ commercial	60,080	December 2021	204,261	204,026	8,094	–	–	100.00
Phase IV	Primary school	21,800	December 2019	12,619	–	–	–	–	100.00
Mianyang									
1. Chang Xing Star Gardens (綿陽長興星城)		**36,158**		**141,543**	**140,586**	**82,721**	**–**	**–**	**83.89**
Phase II	Residential/ commercial	36,158	December 2020	141,543	140,586	82,721	–	–	83.89
Haikou		**130,816**		**–**	**–**	**–**	**173,784**	**–**	**100.00**
1. Degao (德高)	Commercial	43,795	June 2020	–	–	–	69,358	–	100.00
2. Yousheng (友升)	Residence	87,021	December 2020	–	–	–	104,426	–	100.00
Wuzhishan		**92,522**		**12,182**	**–**	**–**	**118,875**	**–**	**100.00**
Yijun Phase I (頤郡一期)	Commercial	28,745	December 2019	12,182	–[3]	–	35,831	–	100.00
Yijun Phase II (頤郡二期)	Residence	23,827	October 2020	–	–[3]	–	28,592	–	100.00
Yijun Phase II (頤郡三期)	Residence	18,244	October 2020	–	–[3]	–	21,893	–	100.00
Yijun Phase IV (頤郡四期)	Residence	21,706	June 2021	–	–[3]	–	32,559	–	100.00
Total		**939,756**		**1,535,906**	**1,387,721**	**458,464**	**1,076,340**	**22,262**	
Total Attributable GFA[2]				**1,190,908**	**1,058,638**	**404,143**	**1,000,710**	**22,262**	

Notes:

(1) Calculated based on the Group's actual ownership interests in the respective project companies.

(2) Comprises the total GFA attributable to the Group based on the Group's actual interests in the relevant projects or project phases.

(3) On 28 September 2017, Hainan Provincial People's Government issued the "Hainan Provincial People's Government's Opinion on Further Deepening the Policy of 'Two Suspensions' to Promote the Steady and Healthy Development in Real Estate" (《海南省人民政府關於進一步深化「兩個暫停」政策促進房地產業平穩健康發展的意見》) (Qiong Fu [2017] No. 76), and proposed "to permanently suspend the construction of new real estate projects for foreign sale in four central ecological core areas of Wuzhishan, Baoting, Qiongzhong and Baisha; while the Provincial Housing and Urban-Rural Development Department would work together with the Provincial Planning Commission, the Provincial Department of Land Resources and other departments to formulate another implementation plan with consideration of the situation of commercial residential land use in the central ecological core area of the four cities and counties, which will be promulgated for implementation after approval by the Provincial Government." "Cities and counties, especially the four central ecological core areas, are encouraged to regulate the use of land in accordance with the law, re-direct the existing supply of commercial residential land to the development in business operation properties such as tourism, culture, education, medical care, health care and commercial use, and promote the transformation of property development. For the existing commercial residential land that cannot be used for residential development due to the factors of planning adjustment, the municipal and county governments can use different approaches in accordance to the laws, including the recovery of land use rights, replacement, extension of the limitation on construction period and arrangement of temporary use, etc." As of now, the government has not yet to release its implementation plan. The Company's Wuzhishan project is affected by the policy and there is uncertainly with its subsequent development.

The table below sets forth a summary of the information about the Group's investment properties as at 31 December 2018:

Project	Property type	held for investment Total GFA (sq.m.)	Effective leased GFA (sq.m.)	Occupancy rate (%)	Rental income for the year ended 31 December 2018 (RMB million)	2017 (RMB million)
Grand International Mall & Apartments (君豪國際)	Retail outlets	8,241	1,082	22.3	1.9	2.8
East Lake Mall (東湖井)	Retail outlets	10,610	9,584	100.0	2.2	1.6
Office Building of West Yingbin Street (迎賓西街辦公樓)	Retail outlets	2,762	2,762	100.0	3.2	3.3
Total		**21,613**	**13,428**	**—**	**7.3**	**7.7**

The table below sets forth the Group's land bank as at 31 December 2018 by geographic location:

	Completed	Under development	For future development	Total land bank[1]	Percentage of total land bank	Average land cost
	saleable/ leasable GFA remaining unsold	GFA under development	Planned GFA	Total GFA		
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)	(RMB/ sq.m.)
Jinzhong	19,558	633,692	805,944	1,459,194	50.7	840.2
Taiyuan	81,067	748,489	—	829,556	28.8	393.5
Mianyang	143,340	141,543	—	284,883	9.9	643.5
Haikou	—	—	173,784	173,784	6.0	2,158.3
Wuzhishan	—	12,182	118,874	131,056	4.6	1,192.1
Total	**243,965**	**1,535,906**	**1,098,602**	**2,878,473**	**100.0**	**746.3**

Note:

(1) Land bank equals to the sum of (i) saleable/leasable GFA remaining unsold, (ii) total GFA under development and (iii) total planned GFA held for future development.

The table below sets forth the Group's land bank as at 31 December 2018 by property type:

	Completed	Under development	For future development	Total land bank[1]	Percentage of total land bank
	Saleable/ Leasable GFA remaining unsold (sq.m.)	GFA under development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)	(%)
Mid-rise	3,133	91,847	632,108	727,088	25.3
High-rise	130,015	836,430	—	966,445	33.6
Townhouses	1,909	—	—	1,909	0.1
Multi-story garden apartments	9,564	26,350	54,452	90,366	3.1
Available-for-sale office/commercial properties	47,462	184,134	171,672	403,268	14.0
SOHO apartments	58	—	29,404	29,462	1.0
Hotels	—	12,182	89,910	102,092	3.5
Parking spaces	51,824	365,810	120,801	538,435	18.7
Ancillary facilities[2]	—	19,153	255	19,408	0.7
Total	**243,965**	**1,535,906**	**1,098,602**	**2,878,473**	**100.0**

Notes:

(1) Land bank equals to the sum of (i) saleable/leasable GFA remaining unsold, (ii) total GFA under development and (iii) total planned GFA held for future development.

(2) Mainly includes public facilities not saleable.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue amounted to approximately RMB1,064.7 million, representing a decrease of approximately 1.1% as compared with approximately RMB1,076.7 million in the same period last year. The decrease was mainly due to the fact that the Group did not have any projects delivered for the first time during the Reporting Period.

During the Reporting Period, the Group's revenue from property development amounted to approximately RMB1,057.4 million, representing a decrease of approximately 1.1% as compared with the same period last year. The decrease was mainly due to the fact that the Group did not have any projects delivered for the first time during the Reporting Period.

Sales and Services Cost

The Group's sales and services cost decreased by approximately 0.3% from approximately RMB700.3 million for the year ended 31 December 2017 to approximately RMB698.0 million for the Reporting Period, and the decrease was mainly due to a corresponding decrease in the sales and services cost with the decrease in the sales revenue during the Reporting Period.

Gross Profit

During the Reporting Period, the Group's gross profit was approximately RMB366.7 million, representing a decrease of approximately 3% from approximately RMB376.3 million for the year ended 31 December 2017. During the Reporting Period, the gross profit margin was approximately 34%, as compared with approximately 35% in the same period last year.

During the Reporting Period, the Group's gross profit from property development was approximately RMB359.4 million, representing a decrease of approximately 3% from approximately RMB368.7 million for the year ended 31 December 2017. The decrease in the Group's gross profit from property development was mainly due to the decrease in the property sales revenue because the Group did not have any projects delivered for the first time during the Reporting Period.

During the Reporting Period, the Group's gross profit margin of property development was approximately 34%, while that for the year ended 31 December 2017 was approximately 34%.

Other Income and Gains

During the Reporting Period, the Group's other income and gains were approximately RMB35.1 million, as compared to approximately RMB25.7 million for the year ended 31 December 2017. The increase was primarily due to the increase in the outlet rental income and bank interest income.

Net Profit Attributable to Owners of the Company

During the Reporting Period, the net profit attributable to owners of the Company was approximately RMB124.9 million, representing a decrease of approximately 27% from RMB approximately 170.5 million for the year ended 31 December 2017. The decrease in the net profit attributable to owners of the Company was mainly due to the decrease of Group's revenue and the fair value of the Group's investment properties and the increase of selling and distribution expenses, administrative expenses and finance costs during the Reporting Period.

Change in Fair Value of Investment Properties

The fair value of the Group's investment properties decreased by approximately 11% from approximately RMB163.0 million as at 31 December 2017 to approximately RMB145.0 million as at the end of the Reporting Period, and the decrease was primarily due to the decrease in the fair value of East Lake Mall (東湖井商城) .

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 18% from approximately RMB46.6 million for the year ended 31 December 2017 to approximately RMB55.1 million for the Reporting Period, and the increase was primarily due to the increase in the advertising and publicity expenses during the Reporting Period.

Administrative Expenses

The Group's administrative expenses increased by approximately 62% from approximately RMB45.2 million for the year ended 31 December 2017 to approximately RMB73.4 million for the Reporting Period, and the increase was primarily due to the increase in the legal service fees and the employee expenses during the Reporting Period.

Finance Costs

The Group's financing expenses increased by approximately 190% from approximately RMB6.8 million for the year ended 31 December 2017 to approximately RMB19.7 million for the Reporting Period, and the increase was primarily due to the increase in loans during the Reporting Period.

Income Tax Expenses

The Group's income tax expenses decreased by approximately 18% from approximately RMB116.5 million for the year ended 31 December 2017 to approximately RMB95.5 million for the Reporting Period, and the decrease was primarily due to the decrease in the profit before tax during the Reporting Period.

Total Profit and Comprehensive Income for the Year

As a result of the foregoing, the Group's total profit and comprehensive income for the year decreased by approximately 25% from approximately RMB176.4 million for the year ended 31 December 2017 to approximately RMB132.5 million for the Reporting Period.

Cash Position

As at the end of the Reporting Period, the Group's cash and cash equivalents were approximately RMB1,447.2 million, representing an increase of approximately 412% as compared to approximately RMB282.5 million as at 31 December 2017, and the increase was primarily due to the increase in pre-sales of properties and borrowings during the Reporting Period.

Net Operating Cash Flow

The Group recorded a positive operating cash flow of approximately RMB867.5 million as at the end of the Reporting Period, while the Group recorded a negative operating cash flow of approximately RMB320.8 million as at 31 December 2017, and the increase was primarily due to the increase in pre-sales of properties during the Reporting Period.

Borrowings

The Group had outstanding bank and other borrowings of approximately RMB858.6 million as at the end of the Reporting Period while the Group had outstanding bank borrowings of approximately RMB446.0 million as at 31 December 2017.

Pledged Assets

Some of the Group's borrowings are secured with properties under development for sale. As at the end of the Reporting Period, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB109.6 million.

Financial Guarantees and Contingent Liabilities

In line with the market practices, the Group entered into agreements with a number of banks for the provision of mortgage financing to customers. The Group does not conduct independent reviews of customers' credit standings, but relies on credit reviews conducted by mortgage banks. Banks usually require the Group to provide guarantees for customers' obligations in repaying property mortgage loans, just as they require other Chinese property developers. The guarantee period for a typical case generally expires when a bank receives the strata-title building ownership certificate from the customer as security for the mortgage loan granted. As at the end of the Reporting Period, the Group's outstanding guarantees for clients' mortgages was approximately RMB1,545.8 million.

The Group had no other material contingent liabilities as at the end of the Reporting Period.

Gearing Ratio

As at the end of the Reporting Period, based on the Group's total debt of approximately RMB858.6 million and total equity of approximately RMB1,197.8 million, the gearing ratio of the Group was approximately 72% (31 December 2017: approximately 40%). Gearing ratio is calculated by dividing total debt over total equity, and total debt includes interest-bearing bank and other borrowings. The increase in gearing ratio was mainly due to the increase of interest-bearing bank and other borrowings during the Reporting Period.

Foreign Currency Risk

The Group operates primarily in the PRC and most of its revenues and expenses are settled in RMB. The Group is exposed to foreign currency risks because its bank balances are denominated in HK dollar and the value of which will fluctuate with exchange rate fluctuations. The exchange rate between RMB and HK dollar may fluctuate as a result of various factors, such as changes in China's political and economic conditions. The Board expects that the fluctuation of the RMB exchange rate will not have a material adverse effect on the Group. The Group does not have a hedging policy in relation to the foreign currency risk.

Material Acquisitions and Disposals and Material Investments

On 29 June 2018, Shanxi Chenxing Zhicheng Construction Engineering Co., Ltd. (山西辰興致誠建築工程有限公司), a domestic subsidiary of the Group, acquired 80% equity in Chang Xing Zhicheng at a maximum consideration of no more than RMB40,000,000 (equivalent to approximately HK$47,395,297). Chang Xing Zhicheng is a limited liability company incorporated on 30 January 2018 under the laws of the PRC and currently does not have any assets apart from cash as a result of payment of registered capital. For details of the acquisition, please refer to the Company's announcement dated 29 June 2018.

On 12 December 2018, Chenxing Real Estate Development Co., Ltd. (辰興房地產發展有限公司) ("**Chen Xing Real Estate**"), a domestic subsidiary of the Group, entered into an equity transfer agreement with Xishuangbanna Haoyuan Tourism Development Co., Ltd. (西雙版納昊緣旅遊發展有限公司) ("**Haoyuan Company**"), pursuant to which Chen Xing acquired 49% of equity interests in Xishuangbanna Jingyuan Investment Development Co., Ltd. (西雙版納景緣投資開發有限公司) ("**Jingyuan Company**") and assumed the loans provided by Haoyuan Company to the Jingyuan Company plus interest, at an aggregate consideration of approximately RMB224.90 million (equivalent to approximately HK$256.16 million) (the "**49% Acquisition**"). Jingyuan Company is a limited liability company incorporated on 9 September 2013 under the laws of the PRC, and its main assets are three parcels of land located in Phase II of Xishuangbanna Tourist Resort in Yunnan Province, the PRC (the "**Land**"), with a total area of approximately 223,833.33 sq.m., of which 204,080 sq.m. have been assigned for the purpose of residential use and 19,753.33 sq.m. have been assigned for commercial use. Jingyuan Company is currently engaged in the construction and development of the Land and construction is scheduled to be completed by 2022. For details of the 49% Acquisition, please refer to the Company's announcement dated 12 December 2018.

Save as disclosed in this annual report, the Group did not have any material acquisition or disposal or material investment during the Reporting Period.

Future Plans for Material Investments or Capital Assets

The Company will continue to invest in property development projects and acquire suitable land parcels in selected cities as appropriate. Internal resources and bank borrowings are expected to be sufficient to meet the necessary funding needs. Save as disclosed in the prospectus and above, the Group has no future plans of material investment as at the date of this annual report.

Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had 185 employees. During the Reporting Period, the Group had incurred the employee costs of approximately RMB31.4 million. Employee compensations generally include salaries and quarterly performance bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medical, maternity, occupational injury and unemployment benefit plans.

The Group has established the Remuneration Committee to review the remuneration policy and structure of the Group for the remuneration of all Directors and the senior management of the Group after considering the operating results of the Group, individual performance and contribution, time commitment and responsibilities of the Directors and senior management as well as the remuneration paid by comparable companies.

The Group has formulated and implemented remuneration policies to motivate employees and, in turn, support the long-term development of the Group. Such policies are consistent with the business strategies and development objectives of the Group, which will be helpful in attracting and retaining professional employees with the relevant knowledge and skills.

Employee Training

In order to strengthen the work ethics and professional quality of our employees, to enhance their service awareness and service level, to raise the cohesion, attractiveness, centripetal force and combatant power of the Group, to reduce errors at work, and to increase the efficiency at work, we are cultivating talents for the Group. Along with the development of the Group, we put emphasis on training for new employees and the continuous development of our employees. Through new employees training, we promote the history of the Group, the organizational structure, the corporate culture and personnel policies, and increase employees' organization ability, communication skills, teamwork spirit, etc. We help strengthening organizational discipline so that employees can adapt to the new environment and the corporate culture as soon as they can. The Group attaches importance to the sustainable development of employees and holds regular internal trainings according to departmental needs to improve their professional knowledge. All external training expenses are taken care of by the Group as well. Other than professional and technical trainings, the Group also advances the management skills of the middle and senior levels. Trainings include comprehensive budget management, leadership, executive power, etc.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Bai Xuankui (白選奎), aged 67, is one of the founders and controlling shareholders of the Group. He is also an executive Director, chairman of the Board, chairman of the nomination committee, member of the remuneration committee as well as the chairman of Chen Xing. Mr. Bai Xuankui is also a director of White Empire (PTC) Limited, one of the controlling shareholders of the Company. Mr. Bai Xuankui has over 20 years of experience in property development, management and operation.

Mr. Bai Xuankui founded the Group in 2004 and since then has been leading the Group to engage in property development. Before founding the Group, Mr. Bai Xuankui worked at Xinxing Construction Ltd. (新興建築公司) where he successively served as assistant manager and manager from April 1983 to May 1992. In July 1993, he was appointed as deputy director of Yuci City Enterprise Management Bureau (榆次市城區企業管理局). From April 1998 to October 2001, he was appointed by People's Congress of Yuci City as commissioner of Yuci City Industrial Economic Commission (榆次市工業經濟委員會). From December 2001 to October 2010, he served as the chairman of Jinzhong City Yuci Region Federation of Industry & Commerce (晉中市榆次區工商業聯合會). From June 2007 to January 2015, Mr. Bai Xuankui had also been the vice chairman of Jinzhong City Federation of Industry & Commerce (晉中市工商業聯合會).

Mr. Bai Xuankui obtained a postgraduate certificate in master of business administration (工商管理碩士研究生文憑) issued by Tianjin University of Finance & Economics (天津財經學院), the PRC in November 2000. In December 2008, he obtained the qualification as a senior engineer from Shanxi Township Enterprise Engineering Series Senior Technical Position Evaluation Committee (山西鄉鎮企業工程系列高級技術職務評審委員會).

Mr. Bai Wukui (白武魁), aged 56, is the brother of Mr. Bai Xuankui and an executive Director and the chief executive officer of the Company. He is also the vice chairman and general manager of Chen Xing, executive director and general manager of Wuzhishan Chenxing Real Estate Development Co., Limited (五指山辰興房地產開發有限公司), an indirect subsidiary of the Company, executive director of Sichuan Chenxing Real Estate Development Co., Limited (四川辰興房地產發展有限公司), an indirect holding company of the Company, and the chairman of Jinzhong Development Zone Real Estate Development Co., Ltd. (晉中開發區房地產開發有限公司), an indirect holding company of the Company.

Mr. Bai Wukui is also one of the founders of the Group. He has been the chief executive officer of the Group since December 2004. He was appointed as a director of the Group in February 2015. Mr. Bai Wukui is also a director of White Legend Global Holdings Limited.

Before founding the Group, Mr. Bai Wukui served as director and chief executive officer of Yuci Xinxing Real Estate Development Co., Ltd. (榆次新興房屋開發有限公司) from January 1997 to August 2007.

Mr. Bai Wukui obtained a professional certificate in civil engineering specialty (long distance learning) (工民建專業文憑（函授）) issued by Shanxi Radio & TV University (山西廣播電視大學), the PRC in July 1990 and later obtained a postgraduate certificate in master of business administration (工商管理碩士研究生文憑) issued by Tianjin University of Finance & Economics (天津財經學院), the PRC in November 2000. He obtained the qualification as an engineer from Shanxi Province Engineering Series Intermediate Professional Technical Position Evaluation Committee (山西省工程系列中級專業技術職務評審委員會) and Jinzhong Township (Privately-owned) Enterprise Engineering Series Intermediate Technical Position Evaluation Committee (晉中鄉鎮（民營）企業工程系列中級技術職務評審委員會) in February 2001 and December 2008, respectively. In February 2010, he obtained the qualification as a senior engineer from Shanxi Township Industrial Engineering Series Senior Engineer Evaluation Committee (山西鄉鎮工業工程系列高級工程師職務評審委員會).

Mr. Bai Guohua (白國華), aged 43, is the son of Mr. Bai Xuankui and executive Director and executive vice president of the Company. He is also an executive director of Jinzhong Chenxing Commercial Management Co., Limited (晉中辰興商業管理有限責任公司), an indirect subsidiary of the Company, and executive director and general manager of Shanxi Chenxing Property Services Co., Limited (山西辰興物業服務有限公司), an indirect subsidiary of the Company. Mr. Bai Guohua joined the Group in December 2004 and successively served as associate administration manager, secretary of the board and assistant general manager. Mr. Bai Guohua was appointed as a Director of the Company on 3 November 2014 and the executive vice president of the Group in February 2016. Mr. Bai Guohua is also a director of White Dynasty Global Holdings Limited, one of the controlling shareholders of the Company.

Mr. Bai Guohua obtained a professional certificate in law (法學專業文憑) issued by Shanxi Politics and Law Institute for Administration (山西政法管理幹部學院), the PRC in July 1998. He then undertook and completed an undergraduate degree in law from Shanxi University (山西大學), the PRC, in June 2001. Mr. Bai Guohua is furthering his studies and is taking an executive master of business administration degree from Arizona State University, the United States.

Mr. Dong Shiguang (董世光), aged 62, is an executive Director of the Company and a director of Chen Xing.

Mr. Dong joined the Group in December 2005 and successively served as manager in branch offices of Chen Xing (Heshun) and Chen Xing (Taigu). He served as the executive director of Sichuan Chenxing Real Estate Development Co., Limited (四川辰興房地產發展有限公司), a majority-owned subsidiary of the Group, from December 2007 to February 2012. Mr. Dong was appointed as a Director of the Group in November 2007. He was appointed as a Director of the Company in February 2015 and later was redesignated as an executive Director in June 2015. Mr. Dong is also a director of Honesty Priority Global Holdings Limited.

Mr. Dong obtained the qualification as an engineer granted by Shanxi Province Engineering Series Intermediate Professional Technical Position Evaluation Committee (山西省工程系列中級專業技術職務評審委員會) in December 2000 and later as a senior engineer granted by Shanxi Township Enterprise Engineering Series Senior Technical Position Evaluation Committee (山西鄉鎮企業工程系列高級技術職務評審委員會) in February 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gu Jiong (顧炯), aged 47, is an independent non-executive Director, the chairman of the audit committee and members of the remuneration committee and the nomination committee of the Company. He was appointed as an independent non-executive Director of the Company on 12 June 2015. From July 1995 to April 2004, Mr. Gu worked at Ernst & Young's Shanghai office and was the senior manager of the audit department when he left the firm. He subsequently joined UT Starcom Inc. (stock code: UTSI), the shares of which are listed on Nasdaq from April 2004 to December 2009. Mr. Gu then served as the chief financial officer of BesTV New Media Co., Ltd. (stock code: 600637), the shares of which are listed on Shanghai Stock Exchange from January 2010 to September 2013. Since September 2013, Mr. Gu has been the chief financial officer of CMC Capital Partners (華人文化基金), an investment fund specialized in media and entertainment investments in China and globally. He has been an independent non-executive director of Xinming China Holdings Limited (stock code: 2699), a company listed on the Stock Exchange since 8 June 2015.

Mr. Gu obtained a bachelor degree in financial management from Fudan University (復旦大學), the PRC in July 1995. He has been a non-practicing member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since April 2004.

Mr. Tian Hua (田華), aged 56, is an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee of the Company.

Mr. Tian joined Shanxi Zhongyu Certified Public Accountants (山西中宇會計事務所) in August 1998 as the chief accountant until December 2008. From December 2008 to present, he has been working at Shanxi He Pu Hua Certified Public Accountants (山西禾譜華會計事務所) as an accountant.

Mr. Tian obtained a professional certificate in accountancy issued by Shanxi Finance & Taxation College (山西財政稅務專科學校), the PRC in July 2001. He has been a practicing member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since May 1999.

Mr. Qiu Yongqing (裘永清), aged 54, is an independent non-executive Director and members of the audit committee and the nomination committee of the Company. Mr. Qiu was appointed as the chairman of Shanxi Jintai Venture Capital Co., Ltd. (山西金泰創業投資有限公司) in April 2004 and vice chairman and general manager of Shanxi Small & Medium Enterprises Financing Guarantee Co., Ltd. (山西中小企業發展融資擔保有限公司) in May 2012. He was also appointed as member of the Jinzhong City's Committee of Chinese People's Political Consultative Conference (晉中市政協委員) in April 2005, senior expert jointly appointed by Shanxi and Jinzhong Municipal Committee (山西省及晉中市委) in December 2011 and vice chairman of Taiyuan Professional Manager Association (太原職業經理人協會) in March 2014.

Mr. Qiu obtained a certificate in engineering issued by Shanxi Radio & TV University (山西廣播電視大學), the PRC in July 1989. He then undertook and completed a course in business administration from School of Management of Xian Jiaotong University (西安交通大學管理學院) in July 2000. He obtained a master of business administration degree from Arizona State University, the United State, in May 2011. In April 2013, Mr. Qiu obtained the qualification as a senior economist granted by Department of Human Resources and Social Security of Shanxi Province (山西省人力資源和社會保障廳).

SENIOR MANAGEMENT

Mr. Jiao Wuli (焦悟理), aged 58, is the deputy general manager in engineering of the Group. He joined the Group in March 2008, is responsible for managing the design, procurement, bidding and construction cost of the Group's projects. He was later promoted to the deputy general manager in engineering of Chen Xing in January 2011.

Before joining the Group, Mr. Jiao worked at Shanxi Third Construction Engineering Co., Ltd. (山西省第三建築工程公司) as technical deputy director from February 1990 to January 1994, and deputy manager and chief engineer from January 1994 to March 1996. In March 1996, he joined Shanxi Construction Engineering (Group) Corporation (山西省建築工程（集團）總公司) and worked at its Wuhan Branch as deputy manager and deputy chief engineer.

Mr. Jiao obtained a professional certificate in civil engineering specialty (工業與民用建築專業文憑) from Taiyuan Institute of Technology (太原工業學院), the PRC in December 1981. Later, he obtained the qualification as a senior engineer granted by Shanxi Construction Profession Senior Engineer Technical Position Evaluation Committee (山西省建設工程專業高級工程師技術職務評審委員會) in April 2004.

Mr. Wang Binzhou (王斌周), aged 42, is the deputy general manager in administration of the Group. Mr. Wang joined the Group in March 2009 and later he served as the general counsel from March 2009 to January 2010 and administrative officer of the board and secretary of the chairman from January 2010 to February 2012. He was promoted to the deputy general manager in administration in February 2012.

Before joining the Group, Mr. Wang worked at Shanxi Shenghe Law Offices (山西聖合律師事務所) as a lawyer from May 2007 to March 2009.

Mr. Wang undertook and completed the bachelor degree in law from Tianjin School of Commerce (天津商學院), the PRC in July 1998 and then master degree in law from Tsinghua University (清華大學), the PRC in July 2008. In December 2002, Mr. Wang obtained the qualification as a legal advisor granted by Department of Personnel of Shanxi Province (山西省人事廳) and then was qualified to practice law in the PRC in March 2004.

Mr. Bai Aijing (白皚晶), aged 42, is nephew of Mr. Bai Xuankui and Mr. Bai Wukui and the chief financial officer of the Group.

Mr. Bai Aijing joined the Group in March 2004 and served as the accounting officer from March 2004 to March 2011 and officer of asset management centre from March 2011 to January 2013. He was later promoted to chief financial officer in January 2013.

Mr. Bai Aijing obtained a professional certificate in enterprise management from Beijing Metallurgy Cadre College (北京冶金幹部學院), the PRC in July 1998. He then obtained a professional certificate in accountancy granted by Finance Commission of Yuci Region (榆次區財政局) in March 2011.

Mr. Zhao Haijun (趙海軍), aged 44, is the deputy general manager of operation of the Group.

Mr. Zhao joined the Group in December 2005 as the marketing manager and later he was promoted to the deputy general manager of operation in February 2009.

Mr. Zhao obtained a professional certificate in project cost and management, which is an online learning course, issued by Harbin Institute of Technology (哈爾濱工業大學), the PRC in July 2010. He obtained the qualification as an engineer granted by Jinzhong Township (Private-owned) Enterprise Engineering Series Intermediate Technical Position Evaluation Committee (晉中鄉鎮（民營）企業工程系列中級技術職務評審委員會) in December 2008. He then obtained the qualification as a registered real estate appraiser granted by Finance Department of Shanxi Province (山西省財政廳) in April 2015.

COMPANY SECRETARY

Ms. Ng Wing Shan (吳詠珊), is the company secretary of the Company. She was appointed as company secretary of the Company on 6 February 2015.

Ms. Ng is a fellow member of The Hong Kong Institute of Charted Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ng is the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and is primarily responsible for assisting listed companies in professional company secretarial work. She has over 10 years of professional experience in the company secretarial field.

DIRECTORS' REPORT

DIRECTORS' REPORT

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

PRINCIPAL BUSINESS

The Company is an investment holding company. Its principal subsidiaries are engaging in property development operations in China, and focusing mainly on the development of residential and, to a less extent, commercial property development projects. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the revenue generated by the principal business of the Group for the Reporting Period is set out in note 5 to the consolidated financial statements.

RESULTS

The Group's profit for the year ended 31 December 2018 and the Group's financial position at that date are set out in the financial statements on pages 300 to 406.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

For detailed discussions on business review for the year and future developments of the Group, please refer to pages 208 to 210 of the chairman's statement.

The Group's analysis of its annual performance using financial key performance indicators is set out in pages 211 to 226 of management discussion and analysis.

PERMITTED INDEMNITY CLAUSE

During the Reporting Period, pursuant to the articles of association of the Company ("**Articles of Association**"), all legal costs, expenses, fees, losses, damages and expenditures incurred during the performance of duties by Directors of the Company may be indemnified by the assets and profits of the Company. The Company has arranged directors and officers liability insurance for the directors of the Group during the Reporting Period.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group continued to use new environmental construction materials in order to meet or stay ahead of environmental standards. The Group kept on strengthening its management of construction sites of on-going projects by controlling and reducing dust and noise pollutions. The Group has implemented energy saving and water conservation measures persistently in office premises, and continued the internal recycling plans for consumables (such as paper, etc.) to reduce the impact of operations on the environment and natural resources.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group always upholds the importance of understanding and compliance with the requirements of laws and regulations, non-compliance with the relevant laws and regulations may render the Group's normal operation. The Group has a designated legal department to exercise comprehensive management and control over the Company's sustainable and legal operations. Through effective communication, good working relationship has been maintained with various regulatory authorities.

MAJOR RISKS AND UNCERTAINTIES

The Group's businesses are mainly located in Jinzhong and Taiyuan in Shanxi Province, Mianyang in Sichuan Province, Haikou and Wuzhishan in Hainan Province and Xishuangbanna Autonomous Prefecture in Yunnan Province in China. As the development target of the Group is to further penetrate the markets in Shanxi Province, central and western China and southern China, the operations of the Group are highly dependent on the performance of the real estate markets in these areas.

The real estate market in China has been growing rapidly over the years. However, as the concerns over people's purchasing power and sustainability of growth continue to mount in the market, and the divergence of property markets between ultra-large cities in the eastern region and small and medium-sized cities in the central and western regions become more intense, there may be uncertainties which impact the business of the Group.

The Group's financial risk management objectives and policies are set out in note 40 to the consolidated financial statements.

RELATIONSHIP WITH SIGNIFICANT STAKEHOLDERS

The Group's success is also dependent on the support of the employees, customers, suppliers and shareholders of the Group.

Employees

The Group's employees are regarded as the most important and most valuable assets of the Group. The most important objective of the Group's human resources management is to reward the employees with outstanding performance through proper compensation and benefits and implementation of a comprehensive appraisal and evaluation system. With proper training and development, the Company's employees are provided with opportunities for career development and promotions.

Customers

Most of the Group's customers are home purchasers. The Group strives to develop high quality residential properties for the improvement of the customers' quality of living.

In order to fulfill the Group's commitment for enhancing customer satisfaction persistently, the Group ensures to adopt the best concepts and use products of the highest qualities in development projects. In terms of customer service, the Group has always focused on the overall qualities of frontline staff by providing them with regular training to ensure consistently high service quality.

Suppliers

The service providers of the Group are mainly construction companies and suppliers of construction materials. The Group has good cooperation relationship with all the suppliers, and has signed strategic cooperation agreements with a number of high quality suppliers to ensure higher quality in construction work and materials supplied. The Group upholds the win-win principle to achieve common growth together with the suppliers.

Shareholders

One of the important corporate objectives of the Group is to maximize the value created for shareholders. The Group continues to promote business developments for the sustainable growth in profits. The Group will strive to deliver stable dividends for the shareholders, after considering the adequacy of capital, liquidity conditions and requirements for business development of the Group.

DIVIDEND POLICY

The Company considers the stable and sustainable returns to the shareholders of the Company (the "**Shareholders**") to be its goal and endeavours to maintain a stable dividend policy.

Any declaration of dividends will be proposed by the Board and the amount of any dividends will depend on various factors, including, among others, the following:

- market conditions;
- the strategic plans and prospects of the Company;
- the business opportunities of the Company;
- the profit and financial position of the Company;
- the working capital requirements and anticipated cash needs of the Company;
- the contractual restrictions and obligations of the Company;
- payments by subsidiaries of cash dividends to the Company;
- legal, tax and regulatory restrictions; and
- any other factors as the Directors may deem relevant.

Subject to the Cayman Islands Companies Law and the Articles of Association, the Company may declare dividends through a general meeting in any currency but no dividend shall be declared in excess of the amount recommended by the Board. The Articles of Association provides that dividends may be declared and paid out of profit, realized or unrealized, or from any reserve set aside from profits at the Directors' discretion. With the sanction of an ordinary resolution, dividends may also be declared and paid out of the Company's share premium account or any other fund or account authorised for this purpose in accordance with the Cayman Islands Companies Law and the Articles of Association.

The Board may from time to time pay interim dividends to the Shareholders as considered by the Board to be justified by the profits of the Group.

The Directors will declare future dividends, if any, in Hong Kong dollars with respect to shares on a per share basis and the Company will pay such dividends in Hong Kong dollars. The amount of dividends actually distributed to the Shareholders will depend upon the Company's earnings and financial condition, operating requirements, capital requirements and any other conditions that the Directors may deem relevant. Any final dividend shall be subject to the approval of the Shareholders. Future dividend payments will also depend upon the availability of dividends received from the subsidiaries of the Company incorporated in the PRC. The PRC laws require that dividends be paid only out of net profit, calculated in accordance with the PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including Hong Kong Financial Reporting Standards. The PRC laws also require the PRC-incorporated enterprises to set aside part of their after-tax profits as statutory reserves, which are not available for distribution as cash dividends. Furthermore, distributions from the Company's subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities or other agreements that the Company or its subsidiaries may enter into in the future. Such restrictive covenants in bank credit facilities include a restriction on distributions by subsidiaries of the Company should they default on repayment obligations in accordance with the terms of the credit facilities.

This dividend policy and the declaration and/or payment of future dividends under this policy are subject to the Board's continuing determination that this dividend policy and the declaration and/ or payment of dividends will be in the best interests of the Group and Shareholders, and are in compliance with all applicable laws and regulations. The Board is committed to maintaining a balance between meeting Shareholders' expectations and prudent capital management through a sustainable dividend policy.

The Board will continually review this dividend policy and reserve the right in its sole and absolute discretion to update, amend, modify and/or cancel this dividend policy at any time.

This dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and in no way obligate the Company to declare a dividend at any time or from time to time.

FINAL DIVIDEND

The Board resolved not to declared the payment of final dividend for the year ended 31 December 2018 (31 December 2017: HK$ 0.2 per share).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be convened on Friday, 31 May 2019.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 28 May 2019 to Friday, 31 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents together with relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, 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. on Monday, 27 May 2019 for registration.

SHARE CAPITAL

There were no movements in the Company's share capital during the Reporting Period.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement during the Reporting Period.

PROPERTY, PLANT AND EQUIPMENT

The details of changes in property, plant and equipment of the Group for the Reporting Period are set out in the note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

The details of changes in the investment properties of the Group for the Reporting Period are set out in note 14 to the consolidated financial statements.

RESERVES

The details of changes in the reserves of the Group for the Reporting Period are set out in the consolidated statement of changes in equity on pages 304 to 305 of this annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Group amounted to RMB599.2 million for the Reporting Period (for the year ended 31 December 2017: distributable reserves of RMB550.0 million).

BANK LOANS AND OTHER BORROWINGS

The details of bank loans and other borrowings of the Group as at the end of the Reporting Period are set out in the note 28 to the consolidated financial statements.

BOARD OF DIRECTORS

The Directors who held office during the Reporting Period and up to the date of this annual report are as follows:

Executive Directors

Mr. Bai Xuankui *(Chairman)*
Mr. Bai Wukui
Mr. Bai Guohua
Mr. Dong Shiguang

Independent Non-executive Directors

Mr. Gu Jiong
Mr. Tian Hua
Mr. Qiu Yongqing

Biographies of all Directors and senior management are set out in the section headed "Biographies of Directors and Senior Management" herein.

Pursuant to the Article 84(1) of the Articles of Association, Mr. Bai Wukui, Mr. Dong Shiguang and Mr. Qiu Yongqing shall retire by rotation at the AGM, and being eligible, have offered themselves for re-election as Directors.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation from each of the independent non-executive Directors on his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company considered all of the independent non-executive Directors were independent persons during the Reporting Period.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years and may be terminated subject to the relevant terms of the service contracts.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years and may be terminated subject to the relevant terms of the appointment letters.

None of the Directors has entered into a service contract with the Company which are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

During the Reporting Period, none of the Directors or their connected entities and controlling Shareholders had direct or indirect material interest in any transaction, arrangement or contract which was significant to the business of the Group and the Company or any of its subsidiary was a party thereto.

MANAGEMENT CONTRACTS

During the Reporting Period, no contract was or had been signed in relation to the management and administrative matters of the Company's business as a whole or any material portion thereof.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the amount of purchases from the largest supplier of the Group represented approximately 15.5% of the total purchases of the Group, and the amount of purchases from the five largest suppliers of the Group represented 32.5% of the total amount of purchases of the Group.

During the Reporting Period, the amount of sales to the largest customer of the Group represented 3.9% of the total sales of the Group, and the amount of sales to the five largest customers of the Group represented 7.8% of the total sales of the Group.

None of the Directors or any of their close associates or any Shareholders has any interest in the five largest customers and suppliers of the Group.

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, the following Directors and chief executives of the Company had interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be entered into the register mentioned under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") of Appendix 10 to the Listing Rules:

Long Positions in the Shares of the Company

Name of Director/chief executive	Capacity/ Nature of interest	Number of shares held	Percentage of shareholdings [Note 1]
Mr. Bai Xuankui ("**Mr. Bai**") [Note 2]	Settlor of a discretionary trust	289,120,000	57.82%
Mr. Bai Wukui [Note 3]	Interest of a controlled corporation	54,120,000	10.82%
Mr. Bai Guohua [Note 4]	Beneficiary of a discretionary trust	289,120,000	57.82%
Mr. Dong Shiguang ("**Mr. Dong**") [Note 5]	Interest of a controlled corporation	9,023,117	1.80%

Notes:

1. As at 31 December 2018, the total number of issued shares of the Company was 500,000,000 shares.

2. The shares were held by White Dynasty Global Holdings Limited ("**White Dynasty BVI**") in the capacity of a legal beneficial owners, which was a corporate controlling shareholder of the Company, and White Dynasty BVI was owned by White Empire (PTC) Limited ("**White Empire BVI**") in the capacity of a legal beneficial owner. White Empire BVI was the trustee of the family trust established for the benefit of Mr. Bai Guohua, Ms. Cheng Guilian ("**Mrs. Bai**", the spouse of Mr. Bai), and other beneficiaries to be nominated by the trustee from time to time. Since Mr. Bai was the settlor of the family trust, Mr. Bai was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

3. The shares were held by White Legend Global Holdings Limited ("**White Legend BVI**") in the capacity of a legal beneficial owner. White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui held the entire issued share capital of White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.

4. The shares were held by White Dynasty BVI in the capacity of a legal beneficial owner. Since (i) Mr. Bai Guohua was a beneficiary of the family trust; and (ii) Mr. Bai Guohua was a person acting in accordance with the instructions from Mr. Bai, the settlor of the family trust, at all times, hence Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

5. The shares were held by Honesty Priority Global Holdings Limited ("**Honesty Priority BVI**") in the capacity of a legal beneficial owner. Since Mr. Dong owned 34.87% shares in Honesty Priority BVI, Mr. Dong was deemed to be interested in the shares held by Honesty Priority BVI under the SFO.

Long Positions in the Shares of Associated Corporations of the Company

Name of Director/ chief executive	Name of associated corporation	Capacity/ Nature of interest	Number of shares held	Percentage of shareholdings
Mr. Bai	White Dynasty BVI (Note 1)	Settlor of a discretionary trust	10,000	100%
Mr. Bai	White Empire BVI (Note 1)	Settlor of a discretionary trust		100%
Mr. Bai Guohua	White Dynasty BVI (Note 1)	Beneficiary of a discretionary trust	10,000	100%
Mr. Bai Guohua	White Empire BVI (Note 1)	Beneficiary of a discretionary trust		100%

Note:

1. White Dynasty BVI was a corporate controlling shareholder of the Company and was wholly-owned by White Empire BVI in the capacity of a legal beneficial owner. White Empire BVI was a company limited by guarantee incorporated in the British Virgin Islands and the trustee of the family trust which was held for the benefits of Mr. Bai Guohua, Mrs. Bai and other beneficiaries to be nominated by the trustee from time to time, and Mr. Bai was the settlor of the family trust.

As at 31 December 2018, save as disclosed above, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register mentioned under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At any time during the Reporting Period or as at the end of the Reporting Period, none of the Company, its holding company or any of their subsidiaries or fellow subsidiaries had participated in any arrangement which enabled the Directors of the Company to gain benefits through purchasing of shares or debentures of the Company or any other corporations.

INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY HELD BY SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, to the best knowledge of the Company and the Directors, the following persons (not being Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company, which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered into the register mentioned under Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of shares held	Percentage of shareholdings (Note 1)
White Dynasty BVI (Note 2)	Beneficial owner	298,120,000	57.82%
White Empire BVI (Note 2)	Interest of a controlled corporation	289,120,000	57.82%
White Legend BVI (Note 3)	Beneficial owner	54,120,000	10.82%
Mrs. Bai (Note 4)	Beneficiary of a discretionary trust	289,120,000	57.82%
Ms. Zhang Lindi (Note 5)	Interest of spouse	289,120,000	57.82%
Ms. Gan Xuelin (Note 6)	Interest of spouse	54,120,000	10.82%
Hwabao Trust Co. Ltd	Trustee	51,800,000	10.36%

Notes:

1. As at 31 December 2018, the Company had a total number of 500,000,000 shares in issue.

2. White Dynasty BVI was wholly-owned by White Empire BVI, hence White Empire BVI was deemed to be interested in the shares owned by White Dynasty BVI under the SFO. White Empire BVI was the trustee for the family trust established for the benefit of Mr. Bai Guohua, Mrs. Bai and other beneficiaries to be nominated by the trustee from time to time. Mr. Bai was the settlor of the family trust.

3. White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui had a controlling interest in White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.

4. Mrs. Bai was the wife of Mr. Bai. Since Mrs. Bai was a beneficiary of the family trust, Mr. Bai was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

5. Ms. Zhang Lindi was the wife of Mr. Bai Guohua. Since Mr. Bai Guohua was a beneficiary of the family trust, Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO, therefore, Ms. Zhang Lindi was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

6. Ms. Gan Xuelin was the wife of Mr. Bai Wukui. Since Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO, therefore, Ms. Gan Xuelin was deemed to be interested in the shares held by White Legend BVI.

As at 31 December 2018, save as disclosed above, the Company was not aware of any other persons (other than Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company, which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered into the register mentioned under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The details of related party transactions of the Group for the Reporting Period are set out in the note 37 to the consolidated financial statements. These transactions do not constitute connected transactions or continuing connected transactions in the meaning of Chapter 14A of the Listing Rules. All the transactions are fully exempt from Shareholders' approval, annual review and all disclosure requirements.

ANNUAL REVIEW AND DISCLOSURE REQUIREMENT OF DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, for the Reporting Period, none of the Directors or their respective associates engaged in or had any interest in any business which was or might be in competition with the business of the Group.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 12 June 2015. No share option was granted by the Company under the Share Option Scheme since the adoption date of the Share Option Scheme.

A summary of the key terms of the Share Option Scheme is set out below. The terms of the Share Option Scheme have complied with the requirements of Chapter 17 of the Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate Eligible Participants to optimize their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) Eligible Participants

The Board may, at its discretion and subject to such conditions as it thinks fit, offer to grant share options to the following persons (collectively, the "**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any Directors (including executive, non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;

(iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and

(iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries.

(c) Total number of shares that may be issued

The maximum number of shares that may be issued pursuant to the Share Option Scheme is 50,000,000 shares, equivalent to 10% of the issued shares of the Company after completion of the global offering and 10% of the issued shares of the Company as at the date of this annual report.

(d) Maximum number of options granted to any individual

The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the shares in issue of the Company.

Any further grant of options in excess of the above limit shall be subject to separate approval by the Shareholders in a general meeting (such Eligible Participants and their associates are required to abstain from voting), and shall comply with other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules.

(e) Maximum number of options granted to connected persons

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If the Board determines to grant options to a substantial Shareholder or any independent non-executive Director or any of their respective associates, the maximum number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each substantial Shareholder or any independent non-executive Director or any of their respective associates in any 12-month period shall not exceed 0.1% of the shares in issue of the Company or such other percentage as may be from time to time provided under the Listing Rules, and the aggregate value calculated based on the closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange as at each date of grant shall not exceed HK$5,000,000 or such other amount as may be from time to time provided under the Listing Rules.

If any further grant will exceed the above limit on options, such further grant shall be subject to a separate approval by the Shareholders in a general meeting (such Eligible Participants and their associates shall abstain from voting), and shall comply with other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules.

(f) When the options may be exercised

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date.

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.

(g) Required minimum holding period before the exercise of an option

There is no minimum holding period required before an option may be exercised.

(h) Acceptance of offer

Upon acceptance of an option, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

(i) Basis for the determination of the exercise price

The share subscription price in respect of any specific option granted under the Share Option Scheme shall be determined at the sole discretion of the Board on the relevant price, but such price shall not be less than the highest of the following:

(i) the official closing market price of the shares as stated in the daily quotation sheet of the Stock Exchange as at the date of grant, which must be a day when the Stock Exchange is open for securities trading business);

(ii) the average official closing market price of the shares as stated in the daily quotation sheets of the Stock Exchange for five business days immediately before the date of grant; and

(iii) par value of the shares.

(j) Residual term of the Share Option Scheme

The Share Option Scheme shall remain valid until 11 June 2025. Unless its early termination is approved by the general meeting of Shareholders or by the Board of the Company, the Share Option Scheme shall remain valid and effective for a period of 10 years from the date when it was adopted.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company or any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands that will oblige the Company to offer new shares to the existing Shareholders on a pro-rata basis.

CORPORATE GOVERNANCE

The Company is dedicated to maintain a high standard in corporate governance practice. During the Reporting Period, the Company has complied with the code provisions under the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"). Information about the corporate governance practice adopted by the Company is set out in Corporate Governance Report on page 248 of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors have confirmed that as at the date of this annual report, the Company has maintained a sufficient public float of our shares as required under the Listing Rules.

AUDITOR

The Group's consolidated financial statements for the year ended 31 December 2018 have been audited by Ernst & Young.

Ernst & Young will retire and be eligible for re-appointment at the AGM. The resolution on the re-appointment of Ernst & Young as the auditor of the Company will be submitted to the AGM for approval. There has not been any change of auditors since the listing of the Company.

RECOMMENDATION TO CONSULT PROFESSIONAL TAX ADVICE

If Shareholders are not sure about the tax effect of the purchase, holding, sale, trading or exercise of any rights attached to the relevant shares of the Company, they are recommended to consult independent experts for advice.

EVENTS AFTER THE REPORTING PERIOD

On 2 January 2019, Chen Xing, a domestic subsidiary of the Group, entered into a short-term loan agreement with Xishuangbanna Yunchen Real Estate Co., Ltd. (西雙版納雲辰置業有限公司) ("**Yunchen Real Estate**"), an associate of the Group, pursuant to which Chen Xing provided Yunchen Real Estate with a loan of RMB102,600,000 (equivalent to approximately HK$116,900,000) for twelve months from 3 January 2019 to 2 January 2020. The loan granted to Yunchen Real Estate will be used primarily for property development purposes or as the operating capital of Yunchen Real Estate. Chen Xing and Yunnan Metropolitan Real Estate Development Co., Ltd. (雲南城投置業股份有限公司) ("**Yunnan Metropolitan**") beneficially owns 49% and 51% of the equity of Yunchen Real Estate, respectively. Yunnan Metropolitan has agreed to provide its 51% equity in Yunchen Real Estate as a collateral for repayment of 51% of the loan (including interest). For details of the borrowing, please refer to the Company's announcement dated 2 January 2019.

On 4 January 2019, Chen Xing, a domestic subsidiary of the Group, entered into an equity transfer agreement with Beijing Sunshine Real Estate Comprehensive Development Co., Ltd. (北京陽光房地產綜合開發有限公司) ("**Sunshine Comprehensive**"), pursuant to which Chen Xing acquired 51% equity interest of Jingyuan Company and assumed the loans provided by Sunshine Comprehensive to Jingyuan Company plus interest, at an aggregate consideration of approximately RMB393.56 million (equivalent to approximately HK$448.26 million) (the "**51% Acquisition**"). For details of the 51% Acquisition, please refer to the Company's announcement dated 4 January 2019. Since the 49% Acquisition and 51% Acquisition (together, the "**100% Acquisitions**") when treated as standalone transactions or when aggregated together are classified as major transaction under the Listing Rules, the Company will send a circular to the Shareholders in due course and seek Shareholders' approval for the 100% Acquisitions at an extraordinary general meeting.

On 28 February 2019, the Group completed the equity capital raising activity in which one rights share was issued on the basis of every five existing shares held as at the record date at the subscription price of HK$1.50 per rights share. Valid applications and acceptances in respect of a total of 130,896,878 rights shares had been received, representing approximately 130.9% of the 99,999,989 total number of rights shares available for subscription under the rights issue. A total of 99,999,989 rights shares were allotted and issued pursuant to the rights issue and the number of issued shares of the Company as at the date of this annual report is 599,999,989 shares. The proceeds from the rights issue will be used for the payment of unpaid registered capital of Jinzhong Chenxinghui Science & Trade Co., Ltd. (晉中辰興匯科貿有限公司) and general working capital of the Group. Dealings in the fully-paid rights shares on The Stock Exchange of Hong Kong Limited have commenced at 9:00 a.m. on Friday, 8 March 2019. For details of the rights issue, please refer to the Company's announcements dated 11 January and 6 March 2019 and the prospectus of the Company dated 12 February 2019.

By Order of the Board
Chen Xing Development Holdings Limited
Bai Xuankui
Chairman

Jinzhong, Shanxi, China
27 March 2019

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICE

The Company is always committed to maintain high standard of corporate governance with a view to assuring the conduct of management of the Company and protecting the interests of the Shareholders. The Company is fully aware that transparency and accountability in corporate governance are crucially important to the Shareholders. The Board considers that sound corporate governance can maximize Shareholders' interests.

The Company has adopted the code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its code provisions under the corporate governance code of practices. During the Reporting Period, the Company has complied with all the Corporate Governance Code.

The Company shall review and strengthen its corporate governance practice from time to time, and strengthen internal control with the help of its PRC and Hong Kong legal advisors, so as to ensure compliance with the Corporate Governance Code.

The Board consists of four executive Directors and three independent non-executive Directors. The Board is responsible for the operation and coordination of the development of the Company and monitoring the Company's business, strategic decisions and performance, and has full and timely access to all relevant information in relation to the Company's businesses and affairs, while the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess professional qualifications and related management experience in the areas of financial accounting, corporate governance, etc. and have contributed to the Board with their professional opinions.

Mr. Bai Xuankui ("**Chairman Bai**") is an executive director and the chairman of the Board. He is responsible for the management of the Board and the overall strategic planning, business development and corporate governance functions. The Company believes that Chairman Bai's servicing as Director and Chairman since the establishment of the Company is conducive to the Company's formulating a correct development strategy. In terms of business operations, the Company's senior management, which comprises experienced and high caliber individuals from various sectors, will ensure decisions made by the Board be thoroughly implemented.

THE BOARD

Duties

The Board is responsible for the operation and planning of the Group's development. It oversees the business, strategic decision-making and performance of the Group and timely understands all relevant information of the Group's business. The Board has delegated the day-to-day management and operation powers and duties to the senior management. For overseeing particular areas of affairs of the Company, the Company has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees duties as set out in their terms of reference. Some of the independent non-executive Directors have certain qualifications and relevant management experience on financial accounting and corporate governance aspects and provide professional opinions to the Board.

All the Board members should ensure that they shall exercise their duties with integrity and comply with applicable laws and regulations, which is all times in the interests of the Company and its Shareholders.

Composition of the Board

The Board comprises of four executive Directors (namely Mr. Bai Xuankui, Mr. Bai Wukui, Mr. Bai Guohua, and Mr. Dong Shiguang) and three independent non-executive Directors (namely Mr. Gu Jiong, Mr. Tian Hua and Mr. Qiu Yongqing). The biographical details of each Director are set out in the "Biographical Details of Directors and Senior Management" section of this annual report.

Save as disclosed in this annual report, to the best knowledge of the Company, none of the Board members have any financial, business, family, or any other substantial relationships.

During the Reporting Period, the Board has complied with the requirements under Rule 3.10(1) and Rule 3.10(2) of the Listing Rules that at least three independent non-executive Directors must be appointed and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. In addition, the number of independent non-executive Directors accounts for one-third of the Board members, which complies with the requirement under Rule 3.10A of the Listing Rules.

The Company has received confirmations from the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors as independent.

All the Directors (including the independent non-executive Directors) have broad and valuable business experience, expertise and professional skills for the effective operation of the Board. The independent non-executive Directors are appointed as members of the Audit Committee, Remuneration Committee, and Nomination Committee.

Pursuant to code provision A.6.6 of the Corporate Governance Code, each Director should disclose to the issuer at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. All Directors have consented to disclose to the Company for the above provision on a timely basis.

Chairman and Chief Executive Officer

The chairman and chief executive officer of the Company are Mr. Bai Xuankui and Mr. Bai Wukui, both being executive Directors, respectively. The separation of roles of Chairman and chief executive officer enables balance of power and delegations, preventing the job responsibilities be concentrated on either one of them. The chairman is responsible for leadership work and the effective operation of the Board, whilst the chief executive officer is delegated for the effective management of business of the Group. The separation of responsibilities between the chairman and the chief executive officer is clearly defined and set out in written form.

Directors' Training and Continuous Professional Development

All the Board members understand the responsibilities as Directors and the operation and business activities of the Company. The Company is responsible for arranging induction programmes, continuous training and professional development for the Directors, and providing funding therefor. Accordingly, the Company shall arrange induction programmes for any newly appointed Director before formal appointment, ensuring that he/she have certain understanding on the business and operations of the Group and be fully aware of the responsibilities and obligations set out in the Listing Rules and relevant laws and regulations.

The Company arranges seminars regularly, providing the Directors with the development and amendment updates of the Listing Rules and other relevant laws and regulations. The Directors also regularly receive updates on the performance, conditions and outlook of the Company to enable the Board to work as a whole and the Directors to exercise each of their own duties. The Company updates and provides written training materials about Directors' roles, functions and duties from time to time, and encourages Directors to read such materials. Each Director has to submit a training record each year.

During the Reporting Period, all Directors (namely Mr. Bai Xuankui, Mr. Bai Wukui, Mr. Bai Guohua, Mr. Dong Shiguang, Mr. Gu Jiong, Mr. Tian Hua and Mr. Qiu Yongqing) attended formal and all-rounded training. The Company has received each Director's training record for the Reporting Period.

Appointment and Re-election of Directors

The Nomination Committee is responsible for reviewing Board composition and monitoring the appointment, re-election and succession planning of Directors. Procedures and process for the appointment, re-election and removal of Directors are set out in the Articles of Association.

Each executive Director entered into service contract with the Company for a term of three years. The service contract can be terminated according to its terms.

Each independent non-executive Director entered into a letter of appointment with the Company for a term of three years. The service contract can be terminated according to its terms.

None of the Directors has entered into a service contract with the Group which is not terminable within one year without compensation (other than statutory compensation).

Pursuant to Article 84(1) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

According to the Article 84(1) of the Articles of Association, Mr. Bai Wukui, Mr. Dong Shiguang and Mr. Qiu Yongqing shall retire by rotation at the AGM and are eligible and offer themselves for re-election as Directors.

Policy for the Nomination of Directors

Selection Criteria

When assessing and selecting a candidate for Director, the Nomination Committee shall consider the following criteria:

- the candidate's character and integrity;
- the candidate's qualifications including professional qualifications, skills, knowledge and experience in relation to the Company's business and strategies;
- whether the candidate is willing to devote sufficient time to fulfill the duties of being a member of the Board and to serve the other roles of directorship and responsibilities of major commitments;

- compliance with the provision of the Listing Rules in respect of the requirement that the Board shall comprise independent non-executive Directors, and whether such candidates are considered independent with reference to the independence guidelines set out in the Listing Rules;

- the policy for diversity of Board members and any measurable objectives adopted by the Board to achieve diversity of Board members; and

- various other factors applicable to the Company's business.

The above factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any persons, as it considers appropriate.

The proposed candidate shall be required to produce necessary personal information as well as a written consent expressing his/her willingness to be appointed as Director and to have his/her personal information disclosed in any documents or relevant websites in relation to the participation in the election for Directors or related matters.

As deemed appropriate by the Nomination Committee, the candidate may be required to produce additional information and documents.

Procedure for Nomination

Appointment of New Directors

1. Upon the receipt of the proposal for new Director appointment and the candidate's personal information (or related details), the Nomination Committee shall evaluate the candidate according to the selection criteria as set out in this policy when determining if the candidate is qualified for the role of Director.

2. If the process involves one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and the reference check of each candidate (where applicable).

3. The Nomination Committee shall then recommend the appointment of an appropriate candidate for directorship.

4. For any person nominated by a Shareholder for election as a Director (please refer to the Company's website for the relevant procedure) at the general meeting of the Company, the Nomination Committee shall evaluate the candidate according to the selection criteria set out in this policy in determining if the candidate is qualified for the role of Director. Where appropriate, the Nomination Committee and/or the Board shall make recommendations to the Shareholders in respect of the proposed appointment of director at the general meeting.

Re-election of Directors at General Meetings

1. The Nomination Committee shall review the overall contribution and service to the Company of a retiring Director, including his/her attendance rate at the Board meetings and general meetings (if applicable), as well as the level of participation and performance on the Board.

2. The Nomination Committee shall also review and determine whether a retiring Director continues to meet the selection criteria as set out in this policy.

3. The Nomination Committee and/or the Board shall make recommendations to the Shareholders in respect of re-election of Directors at the general meetings.

Board Meetings

The Company has adopted the practice of holding at least four regular Board meetings each year (approximately once in a quarter). Notice of regular Board meetings shall be distributed to all the Directors at least fourteen days before the meeting. Discussion matters shall be set out in the agenda of each meeting. Notices of other Board or Board Committee meetings shall normally be delivered according to the requirements of the terms of reference. Meeting agenda and relevant meeting papers shall be sent to the Directors and Board Committee members at least 3 days before the meeting to ensure that they have adequate time for the review of the documents. If the Directors and the Board Committee members are unable to attend the meetings, they shall be notified of the discussion matters and provide their views to the chairman of meeting before the meeting. Minutes of Board meetings and Board Committee meetings shall be kept by the Company, a copy of which shall be circulated to the Directors and relevant Board Committee members for reference and for records.

Minutes of Board meetings and Board Committee meetings shall record the matters considered and the decisions reached in the meetings, including the questions raised by the Directors and the Board Committee members. Draft of the minutes of Board meetings and Board Committee meetings shall be provided to Directors and relevant Board Committee members in reasonable time for consideration and comments. The Directors are entitled to inspect the minutes of Board meetings and Board Committee meetings.

During the Reporting Period, the Company held four Board meetings and one general meeting. Attendance of Directors at such meetings is set out in the following table:

Directors	Number of Board meetings attended/held during his tenure	Number of general meetings attended/held during his tenure
Mr. Bai Xuankui	4/4	1/1
Mr. Bai Wukui	4/4	1/1
Mr. Bai Guohua	4/4	1/1
Mr. Dong Shiguang	4/4	1/1
Mr. Gu Jiong	4/4	1/1
Mr. Tian Hua	4/4	1/1
Mr. Qiu Yongqing	4/4	1/1

The Chairman of the Board convened a meeting with the independent non-executive Directors without the presence of the executive Directors during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, all Directors confirmed that they have complied with the Model Code during the Reporting Period.

DELEGATION OF THE BOARD

The Board retains the decision making rights for major matters of the Company, including approving and monitoring all policy affairs, overall strategy and budget, internal control and risk management systems, major transactions (especially those with possible conflict of interests), financial information, appointment of directors and other major financial and operational matters. The Directors may seek independent professional advice when exercising their duties, the cost of which is borne by the Company. The Directors are also encouraged to conduct independent consultation with the senior management of the Company.

The Group's day-to-day management, administration and operation are delegated to the senior management of the Company. The Board regularly reviews the functions and duties delegated to the senior management of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board understands that corporate governance is a shared responsibility among all Directors. The Board has delegated the corporate governance functions to the Audit Committee, including:

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

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

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

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

(v) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the Reporting Period, the Audit Committee has exercised the aforementioned corporate governance functions, and has reported to the Board.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee comprises of three members, including one executive Director, Mr. Bai Xuankui (chairman), and two independent non-executive Directors, Mr. Qiu Yongqing and Mr. Gu Jiong. Therefore, the majority of members are independent non-executive Directors. The major duties of the Nomination Committee include:

(i) review the structure, size and composition (including the skills, knowledge, experience and diversification) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors;

(iv) assess the independence of independent non-executive Directors;

(v) review the policy on Board diversity and any measurable objectives for implementing such policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosure of results of its review in the corporate governance report of the Company on a yearly basis; and

(vi) review the policy for the nomination of Directors. Such policy shall set out, inter alia, the nomination procedures and process and criteria to select and recommend candidates for directorship.

The Nomination Committee shall assess the candidates or the current candidates according to standards, including integrity, experience, skills, time commitment and dedication, and ability to exercise duties and responsibilities.

On 28 December 2018, the Company reviewed and amended the terms of reference for the Nomination Committee which took effect from 1 January 2019. The amended terms of reference of the Nomination Committee is posted on the websites of the Stock Exchange and the Company.

In order to enhance the effectiveness of the Board and corporate governance standards, the Board shall maintain a balance of composition of executive and non-executive Directors (including independent non-executive Directors) to enable high level independence of the Board for effective demonstration of independent judgment. During the Reporting Period, the Nomination Committee held two meetings. Attendance of the Nomination Committee members at such meeting is set out in the following table:

Committee members	Number of meetings attended/held during his tenure
Mr. Bai Xuankui	2/2
Mr. Qiu Yongqing	2/2
Mr. Gu Jiong	2/2

During the Reporting Period, the Nomination Committee has reviewed the structure, size and composition of the Board, made recommendations to the Board on the re-appointment of Directors and adoption of the policy for the nomination of Director, and assessed independence of the independent non-executive Directors.

The Company has adopted a board diversity policy and set measurable objectives. The Nomination Committee, according to the board diversity policy, evaluates the balance and composition of the Board members' skills, experience and diverse points of views. In selection of candidates, the Nomination Committees considers different points of views, including but not limited to age, cultural and educational background, professional and industrial experience, skills, knowledge, ethnicity, other criteria which is crucial to the business of the Company, and the candidate's strengths and contributions to the Board. The Board satisfied the current composition of the Board and shall review such measurable objectives from time to time, so as to ensure its appropriateness and the progress towards such objectives.

Remuneration Committee

The Remuneration Committee comprises of three members, including two independent non-executive Directors, Mr. Tian Hua (chairman) and Mr. Gu Jiong, and one executive Director, Mr. Bai Xuankui. Therefore, the majority of members are independent non-executive Directors. Major duties of the Remuneration Committee include:

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

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

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

(iv) to ensure that no Director or any of his associates be involved in deciding his own remuneration; and

(v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

The terms of reference of the Remuneration Committee is posted on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held one meeting. Attendance of the Remuneration Committee members at such meeting is set out in the following table:

Committee members	Number of meetings attended/held during his tenure
Mr. Tian Hua	1/1
Mr. Gu Jiong	1/1
Mr. Bai Xuankui	1/1

During the Reporting Period, the Remuneration Committee reviewed the remuneration policy and structure for all Directors and senior management of the Company and the remuneration of individual Directors and senior management, and made recommendations on those to the Board.

Audit Committee

The Audit Committee comprises of three independent non-executive Directors, including Mr. Gu Jiong (chairman), Mr. Tian Hua and Mr. Qiu Yongqing.

The major duties of the Audit Committee include:

(i) to monitor and review financial statements, annual report and account, interim report and quarterly report (if any)), and review material comments regarding financial reporting as set out therein, and consider any material or unusual items put forward by the internal control department or the external auditor before presenting relevant documents to the Board;

(ii) to review the relationship with the external auditor according to the duties of the auditor, their fees and engagement terms, and to make recommendations to the Board on the appointment, reappointment and removal of the external auditor; and

(iii) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and relevant procedures, including resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.

On 28 December 2018, the Company reviewed and amended the terms of reference for the Audit Committee which took effective from 1 January 2019. The amended terms of reference of the Audit Committee is posted on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held three meetings. Attendance of the Audit Committee members at such meetings is set out in the following table:

Committee members	Number of meetings attended/held during his tenure
Mr. Gu Jiong	3/3
Mr. Tian Hua	3/3
Mr. Qiu Yongqing	3/3

During the Reporting Period, the Audit Committee reviewed the annual results of the Group for the year ended 31 December 2017, the interim results of the Group for the six months ended 30 June 2018, the financial reporting systems, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget for accounting and financial reporting functions), risk management systems and process. The Board has not deviated from the recommendation of the Audit Committee on re-appointment of external auditor.

The Audit Committee also reviewed the annual results of the Group for the year ended 31 December 2018, and the audit report prepared by the external auditor related to accounting issues and material findings during the audit process.

REMUNERATION OF DIRECTORS AND FIVE EMPLOYEES WITH HIGHEST REMUNERATION

Details of the remuneration of the Directors and five employees with the highest remuneration for the Reporting Period are set out in note 8 and note 9 to the consolidated financial statements, respectively.

REMUNERATION OF SENIOR MANAGEMENT

During the Reporting Period, the remuneration of senior management of the Company (excluding the Directors) fell within the following bands:

	Number of individuals
HK$300,000 or below	3
HK$300,001 to HK$400,000	1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2018, which gives a true and fair view of the financial position of the Group.

The Board is supplied with sufficient explanation and information by the management to enable the Board to make an informed assessment of financial and other information put before it for approval.

The Board is not aware of any material uncertainties relating to events or factors that may cast significant doubt upon the Group's ability to operate as a going concern.

The statement by the Company's auditors about their reporting responsibilities on the consolidated financial statements is set out in Independent Auditor's Report on page 293 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for monitoring the risk management and internal control systems, and ensuring the proper maintenance and effectiveness of the risk management and internal control systems. The Board also oversees the management in the design, implementation and monitoring of the risk management and internal systems, and the management provides the Board with confirmation on the effectiveness of the relevant systems. The Board considers that such systems aim at managing, instead of eliminating, the risk of failure in performing business objectives, and merely giving reasonable but not absolute guarantee to the absence of unmaterial fact, statement or loss.

The Board is responsible for the risk management and internal control system. It performs a review on the effectiveness of the risk management and internal control systems at least once a year. The Company has established an internal control department, which plays an important role in monitoring the risk management and internal control systems of the Group. Through the Audit Committee, the Board will continuously review the effectiveness of the risk management and internal control systems, including monitoring procedures for finance, operations, compliance, risk identification and assessment, and implementation of risk response measures. The audit procedures include:

(1) the internal control department of the Group assessing the relevant systems;

(2) the management ensuring the maintenance of effective risk management and internal control systems; and

(3) the external auditors discovering internal control problems when carrying out statutory audits.

The management and internal control department, supported by the Board, are responsible for the design, implementation and monitoring of the risk management and internal control systems, as well as reporting to the Board and the Audit Committee.

During the Reporting Period, the management and internal control department reported to the Board and the Audit Committee periodically in relation to the adequacy and effectiveness of internal controls, including but not limited to any indications of failings or material weaknesses in the control procedures.

The following key processes are used to identify, evaluate and manage the Group's significant risks:

(1) the Board and the Audit Committee set up the targets for risk management;

(2) internal control department identifies the risks, which may potentially impact the normal operation of the Company, and analyses the and evaluates the significance of such risks;

(3) the management, internal control and various departments assess the adequacy of existing controls, determine and adopt plans to mitigate the risks;

(4) the management monitors the risk mitigation activities; and

(5) reports regularly to the Board and the Audit Committee.

The Company has adopted policies and procedures for assessing the effectiveness of the risk management and internal control systems, and requiring the management to provide confirmation to the Board periodically on the effectiveness of the systems. The Board has also established a set of reporting procedures, whereby employees, customers, suppliers and other cooperative partners can report any actual or suspected occurrence of misconduct involving the Group, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner.

The Company strictly regulates the handling and dissemination of inside information to ensure such information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

During the Reporting Period, the management and internal control department have performed extensive assessments on special risks faced by the Group and conducted a review on the effectiveness of the risk management and internal control systems of the Group. The Board and the Audit Committee were not aware of any areas of concern that would have material impact on the Group's financial position or operating results, and considered the risk management and internal control systems to be generally effective and adequate, including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions.

NON-COMPETITION UNDERTAKING

Mr. Bai Xuankui, Mr. Bai Guohua, Ms. Cheng Guilian, White Dynasty Holdings Limited and White Empire (PTC) Limited, the controlling shareholders of the Company (the "**Controlling Shareholders**"), have confirmed in writing with the Company that they have complied with the undertakings under the deed of non-competition dated 19 June 2015 (the "**Deed of Non-Competition**") during the Reporting Period.

The independent non-executive Directors have also reviewed the compliance with the undertakings under the Deed of Non-competition by the Controlling Shareholders during the Reporting Period and confirmed that there was no breach of undertakings under the Deed of Non-competition by any of the Controlling Shareholders.

AUDITOR'S FEES

During the Reporting Period, the audit services fees payable to its external auditor, Ernst & Young, amounted to RMB1.85 million. No non-audit services fee was incurred during the Reporting Period.

COMPANY SECRETARY

To maintain sound corporate governance and ensure the compliance with the Listing Rules and applicable Hong Kong laws, the Company engaged Ms. Ng Wing Shan, the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, to act as the company secretary of the Company, and her primary contact person at the Company is Mr. Bai Guohua, an executive Director.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Ng Wing Shan took no less than 15 hours of relevant professional training during the Reporting Period.

SHAREHOLDERS' COMMUNICATIONS AND INVESTOR RELATIONS

The Company believes that effective communication with Shareholders is very important for strengthening investor relations and allowing investors to understand the Group's business, performance and strategy. The Company is also convinced of the importance of timely and non-selective disclosure of Company information for Shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides opportunities for Shareholders to communicate with the Directors directly. Chairman of the Board and chairmen of each Board Committee will attend the annual general meeting and answer questions raised by the Shareholders. The external auditor will also attend the annual general meeting and answer questions regarding audit work, preparation of auditor's report and its content, accounting policies and independence of auditor.

To promote effective communication, the Company has adopted the Shareholders' communication policy, with a view to establishing relationship and communication between the Company and its Shareholders. A website (www.chen-xing.cn) is also established. The Company shall post on its website updated information related to its business operations and development, financial information, corporate governance practices and other information for the review of the public.

SHAREHOLDERS' RIGHTS

For the protection of Shareholders' benefits and rights, the Company shall propose separate resolutions for each question (including the election of each Director) at a general meeting.

All resolutions proposed at a general meeting shall be voted on by poll according to the Listing Rules, the results of which shall be posted on the websites of the Stock Exchange and the Company after the date of the general meeting in due course.

CONVENING OF EXTRAORDINARY GENERAL MEETING AND THE PROPOSAL OF RESOLUTIONS

Pursuant to Article 58 of the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (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. The procedures for Shareholders to convene an extraordinary general meeting are set out in the document entitled "Procedures for Shareholders to Convene a General Meeting", which is posted on the Company's website.

The Articles of Association and the laws of the Cayman Islands do not stipulate the procedures for Shareholders to propose resolutions at annual general meetings. Should the Shareholders wish to propose resolutions, they may refer to the "Procedures for Shareholders to Convene a General Meeting".

Regarding the procedures for Shareholders to nominate candidates for Directors, please refer to "Procedures for Shareholders to Nominate Candidates for Directors" posted on the website of the Company for details.

ENQUIRY TO THE BOARD

Shareholders may send by email to the Company's email address (cxfz@chen-xing.cn) or by post to the Company's Hong Kong principal place of business (40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong) to raise enquiries regarding the Company to the Board.

AMENDMENT TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company has not made any amendments to the Company's memorandum and articles of association during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About the ESG Report

Chen Xing Development Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**" or "**we**") are pleased to issue our third Environmental, Social and Governance Report (the "**ESG Report**"). We attach great importance to corporate social responsibilities, actively implement the concept and principles of sustainable development, and always take the stakeholders' interests as the basis of consideration. The purpose of this ESG Report is to elaborate on various works of the Group that are in line with the principles of sustainable development and its performance in corporate social responsibility in 2018.

The ESG Reporting Guidelines

This ESG Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**Guide**") set out in Appendix 27 to "The Rules Governing the Listing of Securities" on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The contents of the ESG Report are also in compliance with the disclosure requirements under the Guide.

The Scope of the ESG Report

This ESG Report contains the overall environmental and social policies of the Group during the period from 1 January 2018 to 31 December 2018 (the "**Year**") and also discloses the environmental and social key performance indicators of the Group's headquarters in Jinzhong City in Shanxi Province and its subsidiary Chen Xing Real Estate Development Co., Ltd Taiyuan Branch Office in Taiyuan City ("**Taiyuan Project**"). The Group will make continual efforts in reviewing its performance in environmental and social aspects, and consider expanding the scope of the ESG Report to include the performance of more subsidiaries in the future. For detailed disclosure of our corporate governance, please refer to the Corporate Governance Report of this annual report or the official website of the Group (http://www.chen-xing.cn).

The ESG Reporting Language

This ESG Report is issued in both Traditional Chinese and English. Should there be any discrepancies, the Traditional Chinese version shall prevail.

Preparation of the ESG Report

In the preparation of this ESG Report, it is needed to thank for the joint support of colleagues from all departments of the Group that we can have a better understanding of the Group's current development in the environmental and social aspects. This ESG Report summarizes the progress of our works in relation to the environment and the society, which will benefit the Group in determining its short-term and long-term sustainable development strategies in the future.

Feedback to the ESG Report

The stakeholders' feedback and opinions towards this ESG Report will be highly valued by the Group. Your precious opinions are important for the continuous improvement of our performance for the sustainable development. If you have any enquiries or advices, please send to the email address: cxfz@chen-xing.cn.

Sustainable Development Strategies

Since its establishment in 1997, the Group has always been adhering to the operating principle of "building our brand name with good faith and improving earnings through a quality brand". We provide high quality products and services in the areas of residential and commercial property development, business management, manufacturing and installation of doors and windows and property services, and realise the Company's value through business development and high-quality corporate management.

While promoting business development, we aware of the importance of sustainable development for the entire business operations. Therefore, the Group is determined to become a socially and environmentally responsible enterprise by actively implementing sustainable development policies in its daily business operations. The Group aligns its environmental, social and governance philosophies with its development strategies so as to create long-term value for stakeholders and continuously pursues the vision of "sincerity, credibility, effort-making, responsibility, harmony and sharing".

We have always been adhering to the operating principle of "customer oriented business, honest business operation, responsible property development and harmonious society contribution" in various business segments of our operations, and insisting on giving a high priority to environmental protection so as to reduce the negative impact of our business on the environment and society. We expect the Group to develop steadily together with the society and realise its contributions to the society and environmental protection.

The Environment, Social and Governance Committee

The Board of the Group is responsible for the strategies and reporting of the Group's environmental, social and governance, supervises the management in the review and processes the decision-making of the Group's environmental, social and governance as well as risk management and internal control systems to ensure that the Group complies with relevant legal and regulatory requirements, and timely deals with the latest environmental, social and governance issues.

Stakeholders Engagement

The Group highly values the opinions of internal and external stakeholders on environmental, social and governance issues. During the Year, we engaged with stakeholders from different sectors, including customers, shareholders, employees, investors, business partners, regulatory agencies, media, community/non-governmental organizations, suppliers, government authorities and so on.

Stakeholders	Communication Channels
Customers	• Daily operation/communication • Telephone • Email
Shareholders	• Annual general meetings and other shareholders' meetings • Investor meetings • Environmental, social and governance (ESG) meetings • Interim reports and annual reports • Corporate correspondence, such as letters to shareholders, circulars and notices of meetings • Result announcements • Shareholders' visits
Employees	• Channels for employees to express opinions (forms, opinion box, etc.) • Performance appraisal • Face-to-face meetings • Work performance meetings • Employee intranet
Investors	• Senior management meetings • Face-to-face meetings • Result announcements
Business partners	• Strategic cooperation projects • Meetings • Reports • Visits

Stakeholders	Communication Channels
Regulatory authorities	• Meetings • Compliance reports • Written replies to public inquiries
Media	• News release • Result announcements • Media gatherings
Community/ non-governmental organizations	• Community activities • Donations • Meetings
Suppliers	• Supplier/contractor assessment system • Meetings • On-site visits
Government	• Meetings • Regular visits • Open access of corporate information

Through various channels of communication with stakeholders, we have strengthened our ties with stakeholders and formulated the Group's sustainable development strategies, which mainly comprise four categories, namely "Brand Integrity", "People-oriented", "Green Corporate Culture" and "Care for the Community".

Brand Integrity

The Group attaches great importance to brand integrity. By adhering to the operating principle of "building our brand name with good faith and improving earnings through a quality brand", we strive to provide quality products and services in the areas of residential and commercial property development, business management, manufacturing and installation of doors and windows, as well as property services.

Awards of the Group

During the Year, we provided high quality products and services in various business areas, playing an important role in promoting urban development and industrial progress. In The 2018 (11th) Shanxi Real Estate Annual Ceremony and Annual Meeting of Taiyuan Real Estate Chamber of Commerce, the Group won the following awards:

Award-winning projects/employees	Awards
Chen Xing • Yijun, The 2018 Classic Residential Architecture (2018年度人居經典建築樓盤獎)	2018 Outstanding Projects (2018年度優秀項目)
Ms. Hua Ximin, deputy general manager of Chen Xing Real Estate Development Co., Ltd.	Influential Person of the Year Award • The 2018 Shanxi Real Estate Annual Ceremony (2018山西地產年度盛典年度人物 • 影響力大獎)
Mr. Li Wei, marketing deputy general manager of Chen Xing Real Estate Development Co., Ltd. Taiyuan Branch Office	Innovative Person of the Year Award • The 2018 Shanxi Real Estate Annual Ceremony (2018山西地產年度盛典年度人物 • 創新力大獎)
Ms. Xu Yuanyuan, sales supervisor of Chen Xing Yosemite Valley Town	Sales Champion of the Year Award • The 2018 Shanxi Real Estate Annual Ceremony (2018山西地產年度盛典年度人物 • 銷冠精英獎)
Ms. Zhao Meng, sales deputy manager of Chen Xing Yosemite Valley Town	

Customer Service as the Priority

The Group has always put customers as our first priority. We respect the feedback from customers which we regard as important guidance for the Group's continuous improvement. Therefore, we have established a sound customer complaint mechanism. We have a designated customer service hotline and assigned a customer service specialist who is responsible for tracking and managing customer complaints to ensure we provide satisfactory solutions. During the Year, the Group received a total of 1,106 complaints, of which 1,052 cases (i.e. approximately 95% of the cases) have been properly handled. In addition, the Group has also set up a satisfaction survey platform through WeChat, an opinion collection box, and arranged a specialist to conduct regular satisfaction interviews with customers to proactively collect and listen to their opinions through different channels.

Business Ethics is Highly Valued

While developing its business, the Group attaches great importance to business ethics. In particular, we strictly monitor the disclosure of intellectual property rights and relevant information to protect the interests of all stakeholders.

In terms of handling advertisements, the Group strictly abides by relevant intellectual property laws and regulations such as the *Patent Law of the People's Republic of China* (《中華人民共和國專利法》), the *Detailed Rules for the Implementation of the Patent Law of the People's Republic of China* (《中華人民共和國專利法實施細則》), the *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》) and the *Regulations on the Customs Protection of Intellectual Property Rights* (《知識產權海關保護條例》), relevant regulations such as the *Advertising Law of the People's Republic of China* (《中華人民共和國廣告法》) and *Provisions on the Release of Real Estate Advertisement* (《房地廣告發布規定》) and *Trade Descriptions Ordinance* (《商品説明條例》) of the Hong Kong Special Administrative Region. The Group strives to safeguard the intellectual property rights, patents and copyrights of the Group and third-party companies, provides customers with correct and clear information in advertisements and eliminates all acts of deceiving customers by using false and misleading trade descriptions.

In terms of protecting information security and customer privacy, the Group strictly abides by the relevant laws and regulations of the People's Republic of China, such as the *Regulations on Security Protection of Computer Information Systems* (《電腦資訊系統安全保護條例》), the *Administrative Measures for Security Protection of International Networking of Computer Information Networks* (《電腦資訊網路國際聯網安全保護管理辦法》), the *Provisions on Technical Measures for Security Protection of Internet* (《互聯網安全保護技術措施規定》), the *Requirements for Security Protection of Interactive Internet Services* (《互聯網互動式服務安全保護要求》), the *Basic Procedures and Requirements for Security Assessment of Internet Services* (《互聯網服務安全評估基本程式及要求》), and the *Personal Data (Privacy) Ordinance* (《個人資料（私隱）條例》) of the Hong Kong Special Administrative Region. We have confidentiality requirements for employees, suppliers and preliminary property management companies. The Group has signed non-disclosure agreements with employees and third-party companies to clearly define their confidentiality responsibilities for the Group's business secrets and customer information. When managing preliminary property management companies, we require them to carry out security and confidentiality management on the property document information archives, and regularly conduct security checks on the archive rooms where customer information is stored. Preliminary property management companies must also hand over the property archives to the Group and the owners' committee in accordance with relevant regulations on property management. In addition, we have also strengthened the security and confidentiality of the Group's office system and financial system, established a firewall, and restricted the access rights of employees through password setting to provide multiple securities for customers' data.

Strengthening Anti-corruption Efforts

The Group continuously strengthens anti-corruption efforts and strictly complies with relevant laws and regulations, such as the *Criminal Law of the People's Republic of China* (《中華人民共和國刑法》), the *Anti-Money Laundering Law* (《反洗錢法》), *Guidelines for Financial Institutions on Risk Assessment of Money Laundering and Terrorist Financing and Customer Classification Management* (《金融機構洗錢和恐怖融資風險評估及客戶分類管理指引》) and the *Anti-Money Laundering and Counter-Terrorist Financing Ordinance* (《打擊洗錢條例》), the *Drug Trafficking (Recovery of Proceeds) Ordinance* (《販毒(追討得益)條例》), the *Organized and Serious Crimes Ordinance* (《有組織及嚴重罪行條例》) and the *United Nations (Anti-Terrorism Measures) Ordinance* (《聯合國(反恐怖主義措施)條例》) of Hong Kong Special Administrative Region. During the Year, there was no concluded corruption case brought against the Group or its employees.

The Group prevents illegal acts and corruption through efforts in various areas. From time to time, we carry out anti-corruption supervision, education and professional ethics education to our employees. In order to prevent bribery and financial crimes and strengthen internal control, we have signed "Integrity Agreement" (《廉政公約》) with our employees, which strictly restricts the employees from accepting any kind of benefits (including gifts, bribes, sum of money, etc.) offered by any related party of the Group, nor introducing his/her family or friends to relative business departments to engage in economic activities related to the Group's business operation such as supplying equipment or subcontracting in the process of purchasing and tendering. In addition, employees, their family and friends are not allowed to attend any kind of entertainment activities (including provision of food or drink, travel, etc.) that may affect the duties of employees.

Supply Chain Management

In addition to strengthening the internal monitoring and control of the Group, we also pays good attention to the management of suppliers, actively carries out investigations and evaluations of their social responsibilities, with determination to develop a stable and sustainable supply chain together with the suppliers.

With respect to supplier selection, we have formulated a clearly defined tendering process for construction projects to ensure fairness, justice and transparency. We conduct background checks on suppliers with strict standards. In addition to requiring the suppliers to provide a set of documents in relation to their business nature and basic information, which are for our detailed investigation and recording as well as for authenticity checking of their qualifications. We evaluate the quality of suppliers with a grading system. Grading items include whether the suppliers are certified with ISO9001 Quality Management System, whether they are experienced in similar projects and whether they have the abilities to perform their duties according to laws and regulations, etc.

In addition, we also carry out follow-up evaluation regularly on qualified suppliers. To ensure the quality of the suppliers' products and the contractors' services, we carry out inspections at different construction stages according to material inspection standards such as the *Code for Acceptance of Construction Quality of Underground Waterproof* (《地下防水工程質量驗收規範》) (GB50208-2002), *Unified Standard for Constructional Quality Acceptance of Building Engineering* (《建築工程施工質量驗收統一標準》) *(GB50300-2001)* and *Steel for the Reinforcement of Concrete* (《鋼筋混凝土用鋼》) (GB1499-2007).

People-oriented Corporate Culture

The Group provides services in different areas of residential and commercial property development, business management, manufacturing and installation of doors and windows and property services. The development of the Group depends on the joint effort and cooperation from the employees. They are the important foundation of the Group in supporting its long-term development. We regard our employees as the Group's most valuable asset. We determine to ensure that our employees work in a comfortable environment by continuously creating a safe and healthy working environment with a diverse and inclusive working atmosphere. We also provide our employees with competitive benefits, all-rounded training and career development opportunities, and promote a "people-oriented" corporate culture through strengthening their loyalty to the Group.

Employment Practices

The Group strives to create a diverse, equal, harmonious and inclusive working atmosphere with no harassments nor discrimination, and ensure that employees can perform and develop in an ideal workplace environment.

Compliance with Laws and Regulations

The Group strictly abides by relevant labour laws and regulations, including the *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》), the *Labour Contract Law* (《勞動合同法》), the *Protection of Minors* （《未成年人保護法》） and the *Provisions on the Prohibition of Using Child Labour* (《禁止使用童工的規定》), as well as other relevant statutory employment regulations. The Group formulates its human resource management system in accordance with relevant regulations, and is determined to eliminate workplace discrimination, exploitation and harassments. During the Year, the Group did not violate any law or regulation in relation to remuneration and termination of employment, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination, prevention of child labor or forced labour.

Preventing Employing Child Labor and Forced Labor

To prevent the employment of child labour, we have established an internal policy to strictly verify the identity documents of new employees as to confirm the identities of the new recruits. The Group also implements standard working hour system in accordance with laws and regulations in China to prevent forced labour or exploitation. According to the Group's regulations, all employees, including full-time and temporary employees, work no more than eight hours a day and forty hours a week.

Equal Opportunity Employment

In terms of recruitment, we examine candidate applications in a fair, impartial and open manner, and carry out procedures including assessments, background checks as well as review and approval. The major consideration of granting an applicant with an interview lies with the alignment of the applicant's credentials with the position's requirements, his/her educational background, work experience and skills. Background factors such as the candidate's gender, age, nationality and race shall not affect the opportunity of his/her employment.

Employee Welfare

We fully understand that employees are an important asset of the Group. Therefore, the Group spares no effort in creating a warm and pleasant working environment to enhance the employees' sense of belonging, attracts and retains talents with favourable employee benefits. We have compiled the "Staff Handbook" (《員工手冊》) and "Chen Xing Development Salary System Design Plan" (《辰興發展薪酬體系設計方案》) which set out the Group's salary and welfare policies in details.

Remuneration Policies and Systems

Remuneration for the employees of the Group comprises monthly salary, assessment-based bonus, performance-based bonus and seniority bonus. The Group distributes assessment-based bonus and performance-based bonus to its employees according to regular employee performance appraisal results. Seniority bonus is paid to employees according to their time of service in the Group to reward their long-term service and contributions. In addition, we also set up stock options and share award schemes, and distribute bonuses to employees as appropriate.

Welfare Policies

According to the *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》) and other relevant rules and regulations, employees are entitled to statutory holidays, including festival holiday, annual leave, wedding leave, compassionate leave and maternity leave, etc. to ensure that they have sufficient rest time to meet the demand of work. Depending on circumstances, we also provide the employees with study and examination leaves, sick leaves, work-related injury leaves, etc.

Acting in compliance with the *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》), the Group provides the employees with basic social insurance (including endowment insurance, medical insurance, employment injury insurance, unemployment insurance, maternity insurance, etc.), housing provident fund and allowances for working under high temperature. We provide not only transportation subsidies depending on specific circumstances, but also allowances to employees who work under low temperature. We also offer allowances for work in the Mid-Autumn Festival and the Chinese New Year, so as to share the festive joy with employees. In addition, the Group also arranges body checks for our employees once every three years to ensure their physical and mental health. We are committed to meet all the demands of the employees.

Training and Promotion

We concern about the career development of each employee, which is essential for the employee to effectively cope with the Group's various work plans and objectives, as well as for the enhancement of employees' loyalty and core competitiveness. Therefore, the Group is committed to building a professional team through improvement of the employee training system and clearly defining the corporate ladder for employees' promotion and development, with an aim to build a highly efficient professional team and a talent pool for the Group's development in the future.

Continuing Education and Development of Employees

The Group plays an important role in the continuing study and development of employees to improve their working skills, comprehensive capability, working attitudes and behaviour patterns, optimize the knowledge structure of employees of all ranks and categories, and enhance their work efficiencies to meet the needs of the rapid development of the Group. We are determined to improve the Group's various training systems, enrich the training content, expand the training forms and optimize the training process to improve the training effect.

As set out in the "*2018 Chen Xing Company Training Plan*" (《2018年辰興公司培訓計劃方案》), we provide diversified training programs, including trainings in attitude development, computer skills, calculation and measurement standards and methods, so as to expand the development scope of employees in professional fields. The Group's internal employee training involves employees of all ranks and job categories, including new employees, engineering and technical personnel, customer service personnel, employees in professional fields and managerial personnel.

Training Categories	Key Training Aspects
New employee training	Through in-depth introduction on the development history, organizational structure, corporate culture, personnel system and other rules and regulations of the Group, the new employees' organization, communication and team cooperation capabilities are improved. Their daily behavior patterns and qualities and organizational discipline are strengthened, so that they can adapt to the working environment as soon as possible, improve work efficiency and integrate into the corporate culture.
Engineering and technical personnel business training	Internal training is carried out according to departmental requirements to improve the professional knowledge and skills of employees.
Customer service etiquette training	The training covers customer service skills and communication skills to improve the employees' professional awareness and qualities as well as to enhance customer satisfaction.
Professional qualification training	According to departmental requirements, regular training and examinations are provided for certified employees (e.g. engineering technicians). The relevant employees can only work with certifications after completion of assessment..
Managerial personnel training	Training on "*Improvement of the Management Skills of the Middle and Senior Managerial Personnel*" (《中高層管理人員管理技能提升》) is carried out to improve management standard and leadership. The training includes seven habits of highly effective people, execution, leadership, comprehensive budget management, etc. It is planned to drive internal training with external training. The training content is based on general management theories, with an aim to strengthen the management skills, awareness, capabilities and leadership of the middle and senior management through intensive interaction and communication.

In addition to internal training, we have also strengthened the management of external training for employees. The Group has also entered into an "*External Training Agreement*" (《外部培訓協議》) to encourage employees to take external training and the Group will bear the relevant expenses. We actively look for high-quality external training resources so that employees can improve their overall professional levels for continuous career development.

To continuously improve the Group's training system and process and to monitor the effectiveness of employee training, we have introduced a training feedback and results evaluation mechanism to evaluate various types of training. We also incorporate training results into the performance appraisals of employees to enhance their motivation to take the training seriously and with discipline. Training results will be provided to the employees and relevant departments, and employees are encouraged to apply the knowledge and skills they have, and training evaluations will be conducted to improve the Group's efforts in training and development.

Career Planning for Employees

To meet the needs of the Group's business and the employees' personal development, improve operating performance, and enhance the employees' core competitiveness, we pay a lot of attention to the employees' career development paths. We have compiled the *"Administration of Employee Promotion Competition for Chen Xing Development"* (《辰興發展員工晉升競聘管理辦法》), which sets out the Group's management system for employee promotion and career development, and clearly defines the Group's corporate ladder for employee promotion and development, so that they can determine their career development path and ensure that they can give full play to their talents in a suitable environment.

In response to the Group's operational needs and development plan, the Group will recruit and promote employees at appropriate times to ensure efficient operation and enrich its internal talent pool. When there is a job vacancy, we will first consider an internal transfer by giving opportunities to all employees. The Group will give employees opportunities for promotion according to the results of regular employee performance assessments. An employee's personal quality, ability and performance at work are all considered as the basis for his/her promotion. Employees are generally promoted according to the corporate ladder. The Group may offer higher positions according to specific situation for those who have made outstanding contributions or special talents. In addition to the career path of vertical promotion, the Group also allows a path of horizontal development promotion. The employees can be re-allocated to different promotional paths according to their career development objectives, professional knowledge and working skills.

Health and Safety

Occupational safety and the employees' physical and mental health are of vital importance to the Group. In order to create a safe working environment and be responsible for their health and safety, the Group is committed to continuous optimization of a work environment which is free of occupational injuries, compliance with relevant policies and procedures, strengthening of employees' occupational safety awareness and the promotion of a healthy corporate culture.

Safety Production System

"Safety is first, precaution is crucial" is the safety principle of the Group's business operations. The Group strictly abides by relevant laws and regulations, such as the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》), the *Law of the People's Republic of China on Work Safety* (《中華人民共和國安全生產法》), the *Regulations on Supervision and Administration of Occupational Health in Workplace* (《工作場所職業衛生監督管理規定》), the *Regulation on Work-Related Injury Insurances* (《工傷保險條例》) and the *Occupational Safety and Health Ordinance* (《職業安全及健康條例》) of the Hong Kong Special Administrative Region. During the Year, the Group did not violate any relevant laws and regulations regarding the provision of a safe working environment and the protection of employees from occupational hazards, nor did it have any accident involving work-related injury or fatality.

To ensure the compliance with international standards and laws and regulations with respect to occupational safety, the Group is determined to implement a safety management system. We have formulated the "Emergency Plan for Project Site Safety" (《項目現場安全應急預案》), which clearly sets out the management authorities and responsibilities of employees of all departments and ranks for the convenience of executing prevention and protective measures with respect to occupational safety as well as timely and appropriate responses at times of incidents, so as to effectively prevent casualties, and thereby reduce economic losses, eliminate production risks and minimize the impact of negative outcomes.

In addition to requiring the employees of the Group to abide by relevant occupational safety arrangements, the Group has also formulated the "*Requirements for Environmental Protection and Occupational Health and Safety Control in Construction Processes*" (《施工過程環保和職業健康安全控制要求》), which requires contractors to strictly abide by national, local and industrial laws and regulations with respect to environmental protection and health and safety when providing construction services, and to ensure safe construction while guaranteeing quality. We also require the contractors to establish comprehensive construction management plans, safety inspection systems and safe production responsibility systems according to the national mandatory industry standard Construction Safety Inspection Standard (《建築施工安全檢查標準》(JGJ59—99). They are also required to strictly carry out regular and organise professional safety inspections, make every effort to eliminate potential safety hazards, and improve the safety awareness of workers so as to prevent accidents. The Group will systematically record all safety inspections and implementation of safety measures. These will serve as the basis for investigating the safety incidents and preventing the similar accidents in the future. During the Year, there was not any project of the Group that was not accepted for safety reasons.

Protective Measures for Occupational Safety

As there are many potential safety hazards in the construction sites, we inspect the work environment to ensure the workers' safety during construction processes regularly, identify sources of hazards and assess the impact of the relevant risk factors. According to the assessment results, the Group will provide the employees with corresponding protective equipment and implement corresponding protective and technical safety measures.

Other than the above, according to the *"Project Supervision Management System"* (《工程監理管理制度》) compiled by the Group, we oversee the management of project supervision units and employ supervision companies to supervise and inspect construction safety. We inspect the safety protection measures on construction sites from time to time so as to make timely rectification effectively.

Training and Publicity of Occupational Safety

We firmly believe that improving employees' occupational safety awareness is one of the most effective ways to ensure work safety. Therefore, the Group actively provides safety training courses to its employees according to job categories and introduces correct safety standards and procedures. Through diversified occupational safety training and publicity, we try our best to convey the safety concept of "safety is first, precaution is crucial and comprehensive rectification" to our employees, facilitating their recognition of potential safety risks, familiarity with safety operation rules and various safety systems, and correctly use personal occupational protective equipment while trying our best to create a completely safe workplace environment.

A Healthy Corporate Culture

The Group cares about the physical and mental well-being of its employees and advocates a balanced work life. We hold activities from time to time to enrich their spare-time cultural experiences, enhance their physical health and build a harmonious corporate culture, thus improving the Group's competitiveness, employees' loyalty and cohesion. During the Year, we have organised a series of activities for the employees, including the 2018 Chen Xing Development Young Employee Outdoor Training, a badminton competition with the theme of "happy Sports, badminton stands out", an image design activity known as "look at me and my desk" and the decoration of the Reading Corner. Through a variety of employee activities, we are determined to strengthen the communication and link between employees, promote team cooperation and improve our employees' organizational skills and work efficiency while allowing them to have fun.

2018 Young Employee Outdoor Training

Green Corporate Culture

The Group understands that environmental management is an important part of the sustainable development of an enterprise. Therefore, we have been paying close attention to the impacts of our daily operations on the use of resources and the environment, and actively incorporating the concept of environmental protection into our business. We expect the Group to become a pioneer in environmental protection.

Low-carbon Enterprise

In recent years, China has been making contributions to coping with the global climate change. From participating in the non-legally binding *Copenhagen Accord* (《哥本哈根協議》) of 2009, the *Paris Agreement* (《巴黎協議》) of 2016, to the United Nations Climate Change Conference of 2017, China has been playing an important role in leading the global efforts in the reduction of carbon emissions. China actively controls carbon emissions. The *Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People's Republic of China* (2016–2020) (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》(2016–2020)) mentions the dual regulation of total energy consumption and the consumption intensity, confirming the urgency of energy revolution. At the end of 2016, China's National Energy Administration passed the *Energy Production and Consumption Revolution Strategy (2016–2030)* (《能源生產和消費革命戰略(2016–2030)》), which defines the overall goals and relevant strategies of energy revolution, and vigorously promotes green production and low-carbon enterprises.

Greenhouse Gas Emissions Management

In line with China's climate change strategies, the Group actively manages greenhouse gas (GHG) emissions to mitigate climate change. We have conducted a GHG emissions evaluation for the Group's headquarters and Taiyuan Project in accordance with the *Greenhouse Gas Protocol* (《溫室氣體盤查議定書》) issued by the World Resources Institute and the World Business Council for Sustainable Development and the *ISO14064-1* formulated by the International Organization for Standardization. A summary of the GHG emissions during the Year is as follows:

GHG emissions performances	Unit	2018
GHG Emissions		
Direct GHG emissions (Scope 1)	tonnes CO_2 equivalent (CO_2e)	136.58
Indirect GHG emissions (Scope 2)	tonnes CO_2e	4,680.60
Other Indirect GHG emissions (Scope 3)	tonnes CO_2e	56.66
Total GHG emissions (Scope 1, Scope 2 and Scope 3)	tonnes CO_2e	4,873,84
GHG Emissions Intensity		
Per square metre of floor area (Scope 1, Scope 2 and Scope 3)	tonnes CO_2e/m^2	0.50

Scope 1: The direct GHG emissions generated from sources owned and controlled by the Group.

Scope 2: GHG emissions indirectly generated by electricity generation, heating and cooling or steam purchased by the Group.

Scope 3: Emissions include GHG emissions indirectly generated by sources that are not owned or directly controlled by the Group but related to the Group's business activities.

As the total area of the Group's headquarters and Taiyuan Project decreased during this Year, the total amount of GHG emissions of this Year decreased as compared with the relevant data of 2017, from 5,404.00 tonnes of CO_2e of the previous year to 4,873.84 tonnes CO_2e, representing a significant decrease of 9.81%. The Group has continuously paid attention to the management of GHG emissions and has made progresses in monitoring the intensity of greenhouse gas emissions per square metre. The GHG emissions intensity per square metre this Year is 0.50 tonnes of CO_2e, representing a decrease of more than 10% as compared with the 0.55 tonnes of CO_2e in 2017.

Green Buildings

The Group is committed to incorporating sustainable development concept into all aspects throughout the construction cycle. When designing construction projects, we consider the long-term integrity of ecosystems and natural resources, hoping to create a sustainable living environment for the residents or tenants. We have compiled the "*Design Concept Brochure for Green Building Projects*" 《綠色建築項目的設計概念小冊子》 to incorporate environmental protection and energy conservation elements into building projects during the planning stage. When launching new projects, we try our best to adopt designs that integrate with the nature. For example, we adopt natural lighting as much as possible, widely incorporate planting in both indoors and outdoors to reduce the temperature inside the buildings, with an objective to reduce the demand of lighting and air-conditioning systems. In addition, we prefer to use highly effective thermal materials, energy-efficient equipment, and solar water heating systems to improve energy efficiency and environmental performance.

Green Operations

The Group is committed to formulating sound environmental management and actively incorporating the concept of environmental protection into its daily business operations by promoting green corporate culture and minimising the negative impact of its business on the environment. We strictly abide by the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》) and the *Regulations on Environmental Protection Management of Construction Projects* (《建設項目環境保護管理條例》), strictly monitor and manage the environmental quality of the Group's projects under development and construction, and try our best to avoid generating pollutants or damaging the ecological environment so as to provide a natural environment for the sustainable and healthy development of the Group. During the Year, the Group did not violate any environmental protection law nor cause any major accident that affects the environment and natural resources.

We have specially formulated the "*Environmental Protection Management System for Construction Projects*" (《建設項目環境保護管理制度》) to provide guidelines for developing projects that have potential impacts on the environment. The Group has also set up an environmental protection management leading group to take responsibility for routine environmental management such as environmental assessment of the Group's development projects and environmental protection check and acceptance of completed projects. We aim to ensure that the Group's environmental protection policies are fully implemented in its construction sites, residential buildings and commercial properties.

Air Quality Management

The Group pays special attention to the air quality of the construction environment. The major sources of air pollutants emitted from the Group's construction projects are construction dust, transportation dust and vehicle exhaust emissions. The Group abides by the laws and regulations in respect of air pollution regulations and takes corresponding measures in air quality management. As for dust control, the contractors are requested to ensure that the cement storage area remains closed, store all powder materials in bags and cover them or put them behind fences or in sheds. At the same time, we require the contractors to timely clean up the sites and spray water regularly on powder materials in the construction sites to prevent dust from spreading with wind. For dust control with regard to transportation, we require all vehicles have to cover or seal with tarpaulin sheets when they are entering or leaving the construction sites. We also sprinkle regularly on the roads in the construction sites with water and grow plants in green areas as to control transportation dust and keep the office and construction environment clean. For vehicles' exhaust emissions control, the Group strengthens its management, repair and maintenance of vehicles to ensure they are in good conditions, and also tries its best to use fuels with higher quality and efficiency so as to reduce the emissions of exhaust gas.

Noise Control

The Group strictly abides by the *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise* (《中華人民共和國環境噪聲污染防治法》) and is determined to control the noises produced during different construction stages. To control the noise sources in the construction sites, transportation noise and construction noise, we have taken measures in many aspects and required contractors and subcontractors to jointly assume the responsibilities of noise management by comprehensively monitoring noises in accordance with difference setups.

When managing noise sources, we try our best to choose mechanical equipment which generates less noises and with good environmental protection performance. We conduct regular inspection and maintenance to ensure smooth operations and reduce chances of noise pollution. We also take measures in the design of construction sites, such as putting mechanical devices which generate noises at the same place, and remaining sound insulation materials closed. According to the requirements of noise control in different construction stages, we strictly monitor the noise level generated during daytime and nighttime constructions. With regard to transportation noise control, we carry out regular maintenance for vehicles to ensure their efficiencies and to lower their chance of noise generation.

With respect to noise generated during construction, the Group strictly implements the national and local announcements on construction and requirements with regard to construction hours. Before construction, we submit the requirements of noise reduction, and build fences and other temporary facilities to effectively prevent the noise from spreading. At all stages of the construction, we prohibit construction operators from throwing steel tools. When repairing relevant tools, we will use steel mold repair machines and steel pipe straighteners so as to reduce the noise from manual reparation.

Wastewater Discharge Management

Sewage and construction wastewater are the two major wastewater sources during the Group's operation. We abide by relevant laws and regulations on sewage discharge to reduce its impact on the society and the environment. For the domestic sewage produced by the Group, we comply with the *Integrated Wastewater Discharge Standard* (《污水綜合排放標準》) (GB8978-1996), which requires the restriction of sewage from discharging into the urban drainage pipe network and ensures with proper handling. When managing the sewage generated from the construction sites, we require the contractors to monitor the sewage according to the relevant regulations to reduce pollution to the environment. We have formulated supervision guidelines and measures before and during the construction of projects. Relevant departments of construction projects shall declare and register sewage discharge in accordance with relevant regulations of local environmental protection departments before the projects start, and establish rainwater drainage system to prevent serious water accumulation at the construction sites. During construction, we require the contractors to adopt the wellpoint dewatering method and set up sedimentation tanks to deposit silt-containing sewage before being reused or discharged into the municipal drainage pipe system.

Waste Management

We strictly comply with the laws and regulations regarding waste disposal. We have clear guidelines for handling non-hazardous waste, construction waste and hazardous waste. For non-hazardous waste such as domestic waste, we will pile it up, classify it and then transport it to the designated places. As for the disposal of construction waste, we will collect, treat and monitor the relevant waste according to the requirements of local environmental protection authority where the construction project is located. Compared with the relevant data of 2017, the Group's production of non-hazardous waste this year has been significantly reduced, with the total amount reduced from 64 tons to 57 tons, while the total amount of non-hazardous waste generated per square metre has been reduced by nearly 10%, from 6.45 kg per square metre to 5.79 kg per square metre, which shows the effectiveness of the Group's waste management.

For hazardous wastes, we require contractors to establish hazardous waste records and monitor them with a sound management system. Hazardous wastes are stored separately from general waste, and the places and containers where hazardous waste is stored are clearly marked for identification. Due to the potential risks of storing hazardous waste, we adopt rigorous rainproof, seepage-proof and fire-proof measures for the storage places, and strictly comply with the relevant requirements of risk prevention facilities for inflammable and explosive articles. Hazardous waste is transported to hazardous waste storage sites by the specific vehicles. During transportation, we take pollution prevention measures to reduce pollution to the environment.

Energy Conservation

The Group is aware that energy consumption is closely related to GHG emissions. Therefore, we are committed to saving energy and reducing consumption in all aspects of our business operations. In daily operations, we call on our employees to remember to shut down electronic equipment, lighting systems and appliances which are not in use to avoid wastage of energy. We also regularly clean the lighting and the filters of air conditioning systems to improve their energy efficiencies. To achieve better results in energy-saving, we also adjust the design of offices, by making good use of daylight and using mirrors to direct the light to the areas in need of light. We divide the office into different areas and set up independent controllable lighting switches so that the employees can use the lighting system according to their needs. We have also installed motion sensor lights in places that are not frequently used to improve energy efficiency. To reduce the demand for air conditioning, we allow employees to wear casual attire at work, if not affecting the image of the Group.

The total electricity consumption of the Group's headquarters and Taiyuan Project during the Year has decreased from 5,341 MWh to 5,293 MWh compared with 2017, which shows the effectiveness of the Group's energy saving measures. The electricity consumption per square metre is similar to that of the previous year, which is 0.54 MWh per square metre.

Water Conservation

In our daily operations, we have taken many measures to save water. We have installed rainwater collection devices to make good use of water resources. Water conservation signs are posted in washrooms to remind our employees to turn the running water off after using. We also choose to use infrared sensing faucets and dual flush toilets for different needs. To avoid water leakage, we check the water meter regularly, carry out pipeline leakage detection and arrange faucet repairs when appropriate. With respect to project construction, we require the contractors to set up sedimentation tanks which can separate sewage containing silt as for the reuse.

Compared with 2017, the total water consumption of the Group's headquarters and Taiyuan Project has decreased significantly this Year from 73,664 m^3 to 64,796 m^3. The water consumption per square metre has decreased by more than 10%, from 7.46 m^3 per square metre to 6.59 m^3 per square metre, demonstrating the effectiveness of the Group's water conservation measures.

Resources Conservation

The Group has been paying close attention to the use of natural resources. In our business operation, we advocate the responsible use of resources and try our best to treasure and make good use of resources. During the Year, paper consumption of the Group's headquarters and Taiyuan Project also recorded a significant decrease, the total amount has dropped from 1,216 reams to 1,091 reams, with a decrease of more than 10%. This shows that the Group and the employees are actively implementing a paperless office. We remind the employees to do their best to reuse paper and apply double-sided printing. The default printing mode for the Group's printers is double-sided printing with ink saving. We also put up notices at conspicuous places near the printers to remind employees to choose double-sided printing or use reusable paper and to raise their awareness of saving paper. We collect paper consumption data regularly to monitor paper consumption, and make appropriate adjustments when appropriate. In addition, we encourage employees to apply electronic communication technology, such as WeChat to convey information to reduce paper consumption. The Group also makes good use of the electronic office system to replace the office administrative system that based on paper records, and strives to achieve a paperless office.

Care for Community

The Group always adheres to the development concept of "honesty and kindness, social commitment, gratitude and giving", actively fulfills its social responsibilities and participates in social welfare activities. During the Year, we invested a total of 350,000 RMB and organised a total of twenty three days of public welfare activities.

Connecting with the Communities

The Group organised diversified social welfare activities to meet the needs of people at different ages in the communities and attracted more than 2,300 participants, strengthening the communication and connection between the Group and the communities. In order to enrich the life of people in various communities, we held a gourmet food festival and a fun gathering in Yosemite Valley Town. By sharing delicious food and wonderful performances, we have built closer relationship with the communities. We also organized sport activities and community night run, combining healthy sports with fun, encouraging people to do sports actively and promoting a healthy community culture.

In response to the needs of the children in the communities, we held children drama performances, little actor meetings and Chen Xing law-popularizing little journalist events. The Chen Xing law-popularizing little journalist events were jointly organized by the Group and *Shanxi Legal Newspaper* (《山西法制報》) for the National Legal Publicity Day on 4 December. The little journalist events comprised of five activities, including law-popularizing lectures, the visit to the Taiyuan rescue dog training base, the visit to Women's Compulsory Isolation Drug Addiction Treatment Center of Shanxi Province, the visit to a Shanxi newspaper printing house, and the contribution activity with the theme "I am a little journalist" (「我是小記者」). Through these activities, the participants' legal awareness was improved. The children experienced the daily training of firefighters, understood the living of rescue dogs and had gained knowledge of the responsibilities of firefighter. They also learned their bravery, dedication and contribution, which enhanced their self-confidence and sense of responsibility.

Care for the Underprivileged

We pay special attention to the rights and interests of school-age children as well as their physical and mental development. We firmly believe that every dream is worth being nurtured, and every pair of eyes eager for knowledge is worth being treated gently. As such, the Group is determined to continue its engagement in activities of caring for students with financial assistance. During the Year, we organised the "dandelion project" which provided financial assistance to students in need, and led volunteers to visit Chituhua Primary School of Loufan in Taiyuan, to deliver stationery, warm supplies, cereals, oils and foodstuffs to the children. While providing material assistance to them, we hope to encourage them, convey love and care, spread positive energy and benefit the community.

Future Prospects

The Group will continue to adhere to the operating principle of "customer oriented business, honest business operation, responsible property development, harmonious society contribution" in our operations, and provide high-quality products and services in each business sector to create long-term value for all stakeholders, so as to continuously pursue the vision of "sincerity, credibility, effort-making, responsibility, harmony and integration".

APPENDIX I : SUSTAINABILITY DATA STATEMENTS

Environmental Indicators	Unit	2018
GHG Emissions		
Total GHG emissions (Scope 1,2 &3)	tonnes CO_2e	4,873.84
Direct emissions (Scope 1)	tonnes CO_2e	136.58
Indirect emissions (Scope 2)	tonnes CO_2e	4,680.60
Other indirect emissions (Scope 3)	tonnes CO_2e	56.66
Total GHG emissions per square metre of floor area	tonnes CO_2e/m^2	0.50
Total GHG emissions per staff	tonnes CO_2e/staff	32.96
Fuel Consumption		
Natural gas consumption	tonnes	2,754.54
Diesel oil consumption	tonnes	0.03
Motor vehicle fuel consumption (gasoline)	tonnes	48.97
Energy Consumption		
Total electricity consumption	MWh	5,293.00
Electricity consumption per square metre of floor area	MWh/m^2	0.53
Electricity consumption per staff	MWh/staff	35.76
Water Consumption		
Total water consumption	m^3	64,796.00
Water consumption per square metre of floor area	m^3/m^2	6.59
Water consumption per staff	m^3/staff	437.81
Paper Consumption		
A3 (80gsm)	piece	32,500.00
A4 (70gsm)	piece	513,000.00
Waste		
Total amount of non-hazardous waste produced	tonnes	57.00
Total amount of non-hazardous waste per square metre of floor area	kg/m^2	5.79
Construction waste recycled and reused	tonnes	338.00
Metal (such as rebar)	tonnes	88.00
Papers and cardboard packaging	tonnes	242.00
Plastic	tonnes	8.00
Waste piles	tonnes	36.00

APPENDIX II : HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE INDEX

Indicator			Relevant section
A. Environmental			
A1 : Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	Green Corporate Culture — Low — carbon Enterprise; Green Corporate Culture — Green Buildings; Green Corporate Culture — Green Operations;
	A1.1	The types of emissions and respective emissions data.	Green Corporate Culture — Low-carbon Enterprise; Sustainability Data Statements
	A1.2	Greenhouse gas emissions in total and intensity.	Green Corporate Culture — Low-carbon Enterprise; Sustainability Data Statements
	A1.3	Total hazardous waste produced and intensity.	Green Corporate Culture — Green Operations; Sustainability Data Statements
	A1.4	Total non-hazardous waste produced and intensity.	Green Corporate Culture — Green Operations; Sustainability Data Statements
	A1.5	Description of measures to mitigate emissions and results achieved.	Green Corporate Culture — Low-carbon Enterprise; Green Corporate Culture — Green Buildings; Green Corporate Culture — Green Operations
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Green Corporate Culture — Green Operations

Indicator			Relevant section
A2 : Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Corporate Culture — Green Operations
	A2.1	Direct or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	Green Corporate Culture — Green Operations; Sustainability Data Statements
	A2.2	Water consumption in total and intensity	Green Corporate Culture — Green Operations; Sustainability Data Statements
	A2.3	Description of energy use efficiency initiatives and results achieved.	Green Corporate Culture — Green Operations
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Green Corporate Culture — Green Operations
	A2.5	Total packaging material used for finished products and, with reference to per unit produced.	Not applicable, for the business of the Company does not involve packaging material
A3 : The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Green Corporate Culture — Low-carbon Enterprise; Green Corporate Culture — Green Buildings; Green Corporate Culture — Green Operations
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Green Corporate Culture — Low-carbon Enterprise; Green Corporate Culture — Green Buildings; Green Corporate Culture — Green Operations

Indicator			Relevant section
B. Social			
B1 : Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People-oriented Corporate Culture — Employment Rules; People-oriented Corporate Culture — Employee Welfare; People-oriented Corporate Culture — Training and Promotion
	B1.1	Total workforce by gender, employment type, age group and geographical region.	The Group will make relevant disclosures in the future
	B1.2	Employee turnover rate by gender, age group and geographical region.	The Group will make relevant disclosures in the future
B2 : Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards:	People-oriented Corporate Culture - Health and Safety
	B2.1	Number and rate of work-related fatalities.	People-oriented Corporate Culture — Health and Safety
	B2.2	Lost days due to work injury.	People-oriented Corporate Culture — Health and Safety
	B2.3	Description of occupational health and safety measures adopted how they are implemented and monitored.	People-oriented Corporate Culture — Health and Safety

Indicator			Relevant section
B3 : Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People-oriented Corporate Culture — Training and Promotion
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	The Group will make relevant disclosures in the future
	B3.2	The average training hours completed per employee by gender and employee category.	The Group will make relevant disclosures in the future
B4 : Labor Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor:	People-oriented Corporate Culture — Employment Rules
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	People-oriented Corporate Culture — Employment Rules
	B4.2	Description of steps taken to eliminate such practices when discovered.	People-oriented Corporate Culture — Employment Rules
B5 : Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Brand Integrity — Supply Chain Management
	B5.1	Number of suppliers' by geographical region.	The Group will make relevant disclosures in the future
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Brand Integrity — Supply Chain Management

Indicator			Relevant section
B6 : Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Brand Integrity — Valuing Business Ethics
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Brand Integrity — Supply Chain Management
	B6.2	Number of products and service related complaints received and how they are dealt with.	Brand Integrity — Customer Service as the Priority
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Brand Integrity — Valuing Business Ethics
	B6.4	Description of quality assurance process and recall procedures.	The Group will make relevant disclosures in the future.
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Brand Integrity — Valuing Business Ethics
B7 : Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering:	Brand Integrity — Strengthening Anti-corruption Efforts

Indicator			Relevant section
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Brand Integrity — Strengthening Anti-corruption Efforts
	B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Brand Integrity — Strengthening Anti-corruption Efforts
B8 : Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Sustainable Development Strategies — Communication with Stakeholders; Care for Community — Connecting with Communities; Care for Community — Care for the Underprivileged
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Care for Community — Connecting with Communities; Care for Community — Care for the Underprivileged
	B8.2	Resources contributed to the focus area	Care for Community — Connecting with Communities; Care for Community — Care for the Underprivileged

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Chen Xing Development Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Chen Xing Development Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 300 to 406, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Key audit matters *(continued)*

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

Key audit matter	How our audit addressed the key audit matter
Net realisable value of properties under development and completed properties held for sale	
As at 31 December 2018, the Group's properties under development and completed properties held for sale amounted to RMB5,311,072,000 and RMB841,439,000, respectively, which represented in aggregate 68.4% of the total assets of the Group. The assessment of whether the carrying values of the properties were higher than their net realisable values, and consequently, whether a provision to reduce the carrying values was required, was made by management through the application of judgement and the use of subjective assumptions such as the expected 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. The Group's disclosures about the provision for properties under development and completed properties held for sale are included in notes 2.4, 3, 7, 15 and 21 to the financial statements, which also explain the accounting policies and management's accounting estimates.	We evaluated the basis for the provision assessment by understanding the assumptions used to determine the net realisable values of properties under development and completed properties held for sale. We evaluated the assumptions used by checking, on a sample basis, the selling prices of properties to latest sale transactions and the forecasted selling prices and reviewing the pre-sale status of other projects in the same location to evaluate the saleability. We assessed the costs to complete or sell the properties by reviewing budgets and contractor agreements signed for other similar projects. We also performed gross profit margins analysis for projects with completed properties held for sale.

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
As at 31 December 2018, the Group's investment properties amounted to RMB145,000,000 and were measured at fair value. It is the Group's policy to have investment property valuations performed by an independent professional valuer at least once a year, to assist management in the fair valuation process. The valuations of the investment properties were highly dependent on estimates such as current and future market rents and yields, which were subject to uncertainty and might materially differ from the actual results. The Group's disclosures about the valuation of investment properties are included in notes 2.4, 3 and 14 to the financial statements, which also explain the accounting policies and management's accounting estimates.	We evaluated the objectivity of the valuation process and expertise of the independent professional valuer. We involved our internal valuation specialists to assist in evaluating the applied methods, the underlying assumptions and parameters adopted in the valuation of investment properties performed by management and the independent professional valuer. We assessed the property-related data used as inputs for the valuations by checking to existing rental agreements, the rates of rent quoted for similar properties and the occupancy rates of the properties. We also reviewed the related disclosures in the financial statements.

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of buildings and prepaid land lease payments	
As the carrying amount of the net assets of the Group was higher than the market capitalisation of the Company as at 31 December 2018, the Group performed impairment tests on its buildings and prepaid land lease payments with carrying values of RMB58,017,000 and RMB1,329,000, respectively. These impairment tests involved significant estimation and judgements around assumptions used, including current and future market rents, yields and available data from market transactions of similar assets. Management determined that no provision for impairment of buildings and prepaid land lease payments was required. The Group's disclosures about the impairment testing of non-financial assets, which included buildings and prepaid land lease payments, are included in notes 2.4 and 3 to the financial statements, which explain the accounting policies and management's accounting estimates.	We evaluated management's identification of indicators of impairment. We assessed the inputs used for the estimation of recoverable amounts by comparing to rentals quoted for similar assets and observable prices from market transactions. We also involved our internal valuation specialists to assist in evaluating the methodology used, and the underlying assumptions and parameters adopted by management to estimate the recoverable amounts of the buildings and prepaid land lease payments.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, the Directors' Report, the Corporate Governance Report and the Environmental, Social and Governance Report, which are expected to be made available to us after that date.

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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Chairman's Statement, the Directors' Report, the Corporate Governance Report and the Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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.

- 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.

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

- 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 Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**1,064,690**	1,076,685
Cost of sales		**(697,999)**	(700,354)
Gross profit		**366,691**	376,331
Other income and gains	5	**35,110**	25,673
Selling and distribution expenses		**(55,063)**	(46,611)
Administrative expenses		**(73,395)**	(45,190)
Other expenses		**(26,633)**	(7,356)
Finance costs	6	**(19,679)**	(6,806)
Share of losses of:			
Joint venture		**(295)**	—
Associate		**(10)**	—
PROFIT BEFORE TAX	7	**226,726**	296,041
Income tax expense	10	**(95,540)**	(116,473)
PROFIT FOR THE YEAR		**131,186**	179,568
Attributable to:			
Owners of the parent		**124,889**	170,519
Non-controlling interests		**6,297**	9,049
		131,186	179,568
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted	12	**RMB0.25**	RMB0.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR	**131,186**	179,568
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,348**	(3,129)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**1,348**	(3,129)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,348**	(3,129)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**132,534**	176,439
Attributable to:		
Owners of the parent	**126,237**	167,390
Non-controlling interests	**6,297**	9,049
	132,534	176,439

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	76,683	65,471
Investment properties	14	145,000	163,000
Properties under development	15	474,331	546,057
Intangible assets	17	9	300
Investment in a joint venture	18	195	—
Investment in an associate	19	22,490	—
Deferred tax assets	29	207,183	173,179
Prepaid land lease payments	16	1,329	1,374
Prepayments for land use rights		—	416,300
Prepayments for property, plant and equipment		—	6,086
Total non-current assets		927,220	1,371,767
CURRENT ASSETS			
Properties under development	15	4,836,741	3,158,817
Completed properties held for sale	21	841,439	1,333,444
Inventories	20	13,250	2,160
Prepayments, other receivables and other assets	22	607,538	468,564
Tax recoverable		70,418	57,310
Financial assets at fair value through profit or loss	23	111,774	—
Available-for-sale investments	23	—	173,610
Pledged deposits	24	40,171	22,305
Restricted bank balance	24	103,000	103,839
Cash and cash equivalents	24	1,447,161	282,513
Total current assets		8,071,492	5,602,562
CURRENT LIABILITIES			
Trade payables	25	703,162	753,398
Other payables and accruals	26	1,749,912	1,665,188
Advances from customers		—	2,889,441
Contract liabilities	27	4,342,213	—
Interest-bearing bank and other borrowings	28	224,620	151,000
Due to related parties	37(c)	98,300	1,717
Due to a director	37(c)	91	87
Tax payable	10	42,469	101,054
Total current liabilities		7,160,767	5,561,885
NET CURRENT ASSETS		910,725	40,677
TOTAL ASSETS LESS CURRENT LIABILITIES		1,837,945	1,412,444

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,837,945**	1,412,444
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**633,949**	295,000
Deferred tax liabilities	29	**6,169**	9,740
Total non-current liabilities		**640,118**	304,740
NET ASSETS		**1,197,827**	1,107,704
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**4,003**	4,003
Reserves	31	**1,074,966**	1,015,118
		1,078,969	1,019,121
Non-controlling interests		**118,858**	88,583
TOTAL EQUITY		**1,197,827**	1,107,704

Bai Xuankui
Director

Bai Wukui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent									
	Share capital RMB'000 (note 30)	Share premium account RMB'000 (note 30)	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Asset revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	4,003	219,418	101,849	102,574	23,331	13,753	517,573	982,501	79,534	1,062,035
Profit for the year	–	–	–	–	–	–	170,519	170,519	9,049	179,568
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(3,129)	–	(3,129)	–	(3,129)
Total comprehensive income for the year	–	–	–	–	–	(3,129)	170,519	167,390	9,049	176,439
Transfer to statutory reserve	–	–	–	7,308	–	–	(7,308)	–	–	–
Final 2016 dividend declared	–	–	–	–	–	–	(130,770)	(130,770)	–	(130,770)
At 31 December 2017	4,003	219,418*	101,849*	109,882*	23,331*	10,624*	550,014*	1,019,121	88,583	1,107,704

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent									
	Share capital RMB'000 (note 30)	Share premium account RMB'000 (note 30)	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Asset revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017	4,003	219,418	101,849	109,882	23,331	10,624	550,014	1,019,121	88,583	1,107,704
Effect of adoption of HKFRS 15	–	–	–	–	–	–	14,748	14,748	(999)	13,749
At 1 January 2018 (restated)	4,003	219,418	101,849	109,882	23,331	10,624	564,762	1,033,869	87,584	1,121,453
Profit for the year	–	–	–	–	–	–	124,889	124,889	6,297	131,186
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	1,348	–	1,348	–	1,348
Total comprehensive income for the year	–	–	–	–	–	1,348	124,889	126,237	6,297	132,534
Capital contribution by a non-controlling shareholder**	–	–	703	–	–	–	–	703	24,977	25,680
Transfer to statutory reserve	–	–	–	8,620	–	–	(8,620)	–	–	–
Final 2017 dividend declared	–	–	–	–	–	–	(81,840)	(81,840)	–	(81,840)
At 31 December 2018	4,003	219,418*	102,552*	118,502*	23,331*	11,972*	599,191*	1,078,969	118,858	1,197,827

* These reserve accounts comprise the consolidated reserves of RMB1,074,966,000 at 31 December 2018 (2017: RMB1,015,118,000) in the consolidated statement of financial position.

** On 19 June 2018, Jinzhong Development Zone Real Estate Development Co., Ltd. ("**Jinzhong Development**") entered into a capital contribution agreement with Xi'an Agile Consulting Co., Ltd. ("**Xi'an Agile**"), pursuant to which Xi'an Agile injected capital of RMB25,680,000 into Jinzhong Xiya Real Estate Development Co., Ltd. ("**Xiya**"). After capital injection, the shareholding in Xiya by Jinzhong Development decreased from 100% to 67%.

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		**226,726**	296,041
Adjustments for:			
Depreciation	13	**9,369**	9,114
Amortisation of intangible assets	17	**291**	307
Amortisation of prepaid land lease payments	16	**45**	45
Other interest income from financial assets at fair value through profit or loss/ available-for sale investments	5	**(11,370)**	(13,929)
Finance costs	6	**19,679**	6,806
Changes in fair value of investment properties	14	**18,000**	1,000
Share of losses of joint ventures and associates		**305**	—
Interest income	5	**(4,195)**	(1,369)
		258,850	298,015
(Increase)/decrease in properties under development		**(1,035,667)**	265,701
Decrease/(Increase) in completed properties held for sale		**607,108**	(286,673)
Increase in inventories		**(11,090)**	(116)
Increase in prepayments, other receivables and other assets		**(50,630)**	(679,047)
Increase in pledged deposits		**(17,866)**	(7,982)
Decrease/(increase) in restricted bank balance		**839**	(103,839)
Decrease in trade payables		**(50,236)**	(356,584)
(Decrease)/increase in advances from customers		**(2,889,441)**	640,164
Increase in other payables and accruals		**84,736**	156,231
Increase in contract liabilities		**4,078,661**	—
Increase in amounts due to related parties		**96,583**	1,150
Cash generated from/(used in) operations		**1,071,847**	(72,980)
Tax paid		**(204,379)**	(247,830)
Net cash flows from/(used in) operating activities		**867,468**	(320,810)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and construction in progress		**(14,842)**	(11,092)
Purchases of financial assets at fair value through profit or loss/ available-for-sale investments		**(2,456,042)**	(1,793,730)
Sales of financial assets at fair value through profit or loss/ available-for-sale investments		**2,518,752**	2,113,930
Purchase of a shareholding in an associate		**(22,500)**	—
Purchase of a shareholding in a joint venture		**(490)**	—
Prepayments for acquisition of a subsidiary		**(50,000)**	—
Income from financial assets at fair value through profit or loss/ available-for-sale investments		**10,496**	13,929
Interest received		**4,195**	1,369
Net cash flows (used in)/from investing activities		**(10,431)**	324,406
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from a non-controlling shareholder		**25,680**	—
New bank and other loans		**591,949**	496,000
Repayment of bank and other loans		**(179,380)**	(331,000)
Dividends paid		**(81,840)**	(130,770)
Tax paid on financing activities		**(9,940)**	(15,000)
Interest paid		**(40,210)**	(27,772)
Net cash flows from/(used in) financing activities		**306,259**	(8,542)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,163,296**	(4,946)
Cash and cash equivalents at beginning of year		**282,513**	290,594
Effect of foreign exchange rate changes, net		**1,352**	(3,135)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**1,447,161**	282,513

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 3 November 2014. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Group was principally engaged in property development.

In the opinion of the directors, the ultimate controlling shareholders of the Group are Mr. Bai Xuankui and Mr. Bai Guohua.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chen Xing Investments Limited	British Virgin Islands	US$10,000	100%	—	Investment holding
Chen Xing International Holdings Limited	Hong Kong	HK$100	—	100%	Investment holding
Jinzhong Chen Xing Hui Technology And Trade Company Limited*	People's Republic of China/ Mainland China	RMB105,000,000	—	100%	Investment holding
Chenxing Real Estate Development Co., Ltd. ("**Chen Xing**")**	People's Republic of China/ Mainland China	RMB204,000,000	—	100%	Development and sale of properties
Sichuan Chenxing Real Estate Development Co., Limited ("**Chen Xing Sichuan**")**	People's Republic of China/ Mainland China	RMB119,200,000	—	83.89%	Development and sale of properties
Jinzhong Chenxing Commercial Management Co., Limited**	People's Republic of China/ Mainland China	RMB1,000,000	—	100%	Property leasing

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Jinzhong City Yuci Chenxing Doors &Windows Co., Ltd.**	People's Republic of China/ Mainland China	RMB1,500,000	—	100%	Manufacture and installation of windows
Shanxi Chenxing Property Services Co., Limited**	People's Republic of China/ Mainland China	RMB6,000,000	—	100%	Property management
Jinzhong Development Zone Real Estate Development Co., Ltd.**	People's Republic of China/ Mainland China	RMB100,000,000	—	51%	Development and sale of properties
Wuzhishan Chenxing Real Estate Development Co., Limited**	People's Republic of China/ Mainland China	RMB90,280,000	—	100%	Development and sale of properties
Hainan DeGao Investment Co., Ltd. ("**Hainan Degao**")**	People's Republic of China/ Mainland China	RMB10,000,000	—	100%	Development and sale of properties
Hainan Youshenghongtuo Real Estate Development Co., Ltd.**	People's Republic of China/ Mainland China	RMB10,000,000	—	100%	Development and sale of properties
Shanxi Chenxing Zhida Trading Co., Ltd. ("**Zhida Trading**")**	People's Republic of China/ Mainland China	RMB10,000,000	—	100%	Sale of construction materials
Shanxi Chenxing Zhicheng Construction Engineering Co., Ltd.**	People's Republic of China/ Mainland China	RMB50,000,000	—	100%	Property construction

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jinzhong Chenxing Yijun Real Estate Development Co., Ltd. ("**Yijun**")**	People's Republic of China/ Mainland China	RMB100,000,000	—	100%	Development and sale of properties
Jinzhong Chenxing Shiguang Zhicheng Real Estate Development Co., Ltd. ("**Shiguang Zhicheng**")**	People's Republic of China/ Mainland China	RMB50,000,000	—	100%	Development and sale of properties
Taiyuan Chenya Real Estate Development Co., Ltd. ("**Chenya**")**	People's Republic of China/ Mainland China	RMB10,000,000	—	100%	Development and sale of properties
Shanxi Chenxing Cultural Industry Co.,Ltd ("**Chenxing Cultural**")**	People's Republic of China/ Mainland China	RMB10,000,000	—	100%	Organisation of culture and art exchange events
Jinzhong Xiya Real Estate Development Co., Ltd.**	People's Republic of China/ Mainland China	RMB74,630,000	—	67%	Development and sale of properties
Shanxi Chenji Real Estate Development Co., Ltd. ("**Chenji**")**	People's Republic of China/ Mainland China	RMB30,000,000	—	100%	Development and sale of properties
Shanxi Chang Xing Zhicheng Construction Engineering Co., Ltd. ("**Chang Xing Zhicheng**")**	People's Republic of China/ Mainland China	RMB50,000,000	—	80%	Property construction

* The entity is registered as a wholly-foreign-owned enterprise under PRC law.

** These entities are limited liability enterprises established under PRC law.

During the year, the Group newly incorporated Shiguang Zhicheng, Yijun, Chenya, Chenxing Cultural, Xiya, Chenji and acquired Chang Xing Zhicheng from an independent third party which is a dormant company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and available-for-sale investments 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 Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

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

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

2.2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES

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

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

2.2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES *(continued)*

Except for the amendments to HKFRS 2, amendments to HKFRS 4, HK(IFRIC)-Int 22 and *Annual Improvements 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 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.

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 HKAS 39.

Classification and measurement

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

2.2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES *(continued)*

(a) *(continued)*

Classification and measurement *(continued)*

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

		HKAS 39 measurement				HKFRS 9 measurement	
	Note	Category	Amount	Re-classification	ECL	Amount	Category
			RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets							
Available-for-sale investments		AFS[1]	173,610	(173,610)	–	–	N/A
To: Financial assets at fair value through profit or loss	(i)			(173,610)	–		
Financial assets included in prepayments, other receivables and other assets		L&R[2]	303,021	–	–	303,021	AC[3]
Financial assets at fair value through profit or loss		FVPL[4]	–	173,610	–	173,610	FVPL (mandatory)
From: Available-for-sale investments	(i)			173,610	–		
Pledged deposits		L&R	22,305	–	–	22,305	AC
Restricted bank balance		L&R	103,839	–	–	103,839	AC
Cash and cash equivalents		L&R	282,513	–	–	282,513	AC
Total assets			885,288	–	–	885,288	
Financial liabilities							
Trade payables		AC	753,398	–	–	753,398	AC
Financial liabilities included in other payables and accruals		AC	110,955	–	–	110,955	AC
Interest-bearing bank and other borrowings		AC	446,000	–	–	446,000	AC
Due to related parties		AC	1,717	–	–	1,717	AC
Due to a director		AC	87	–	–	87	AC
Total liabilities			1,312,157	–	–	1,312,157	

1 AFS: Available-for-sale investments

2 L&R: Loans and receivables

3 AC: Financial assets or financial liabilities at amortised cost

4 FVPL: Financial assets at fair value through profit or loss

2.2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES *(continued)*

(a) *(continued)*

Classification and measurement *(continued)*

Note:

(i) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 22 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017 RMB'000	Re-measurement RMB'000	ECL allowances under HKFRS 9 at 1 January 2018 RMB'000
Financial assets included in prepayments, other receivables and other assets	526	—	526

Impact on reserves and retained profits

There is no significant impact on reserves and retained profits under HKFRS 9.

2.2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES *(continued)*

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

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

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

2.2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES *(continued)*

(b) *(continued)*

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

	Notes	Increase/ (decrease) RMB'000
Assets		
Properties under development	(i)	133,664
Completed properties held for sale	(i)	115,103
Prepayments, other receivables and other assets	(ii)	38,045
Deferred tax assets	(iii)	(9,511)
Total assets		277,301
Liabilities		
Contract liabilities	(i)	3,145,485
Advances from customers	(i)	(2,881,933)
Total liabilities		263,552
Equity		
Retained profits	(i),(ii)	14,748
Non-controlling interests	(i),(ii)	(999)
		13,749

2.2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES *(continued)*

(b) *(continued)*

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

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

		Amounts prepared under		
	Notes	HKFRS 15 RMB'000	Previous HKFRS RMB'000	Increase/ (decrease) RMB'000
Revenue	(i)	1,064,690	995,828	68,862
Cost of sales	(i)	(697,999)	(635,356)	62,643
Gross profit		366,691	360,472	6,219
Selling and distribution expenses	(ii)	(55,063)	(61,857)	(6,794)
Administrative expenses	(ii)	(73,395)	(73,861)	(466)
Profit before tax		226,726	213,247	13,479
Income tax expense	(iii)	(95,540)	(93,725)	1,815
Profit for the year		131,186	119,522	11,664
Attributable to:				
Owners of the parent		124,889	114,675	10,214
Non-controlling interests	(i),(ii)	6,297	4,847	1,450
		131,186	119,522	11,664
Earnings per share attributable to ordinary equity holders of the parent — Basic and diluted		RMB0.25	RMB0.23	RMB0.02

2.2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES *(continued)*

(b) *(continued)*

Consolidated statement of financial position as at 31 December 2018:

	Notes	Amounts prepared under HKFRS 15 RMB'000	Previous HKFRS RMB'000	Increase/ (decrease) RMB'000
Deferred tax assets	(iii)	207,183	218,509	(11,326)
Properties under development	(i)	5,311,072	5,075,424	235,648
Completed properties held for sale	(i)	841,439	788,979	52,460
Prepayments, other receivables and other assets	(ii)	607,538	562,233	45,305
Total assets		8,998,712	8,676,625	322,087
Advances from customers	(i)	—	4,049,539	(4,049,539)
Contract liabilities	(i)	4,342,213	—	4,342,213
Total liabilities		7,800,885	7,504,211	296,674
Net assets		1,197,827	1,172,414	25,413
Retained profits	(i),(ii)	599,191	574,229	24,962
Non-controlling interests	(i),(ii)	118,858	118,407	451
Total equity		1,197,827	1,172,414	25,413

2.2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES *(continued)*

(b) *(continued)*

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

(i) Significant financing component for sale of properties

Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. Accordingly, the significant financing component has been capitalised and recorded as properties under development or been expensed off to finance costs. In addition, reclassification has been made from advances from customers to contract liabilities for the outstanding balance of sales proceeds from customers. The adoption of HKFRS 15 resulted in increases in properties under development, completed properties held for sale and contract liabilities of RMB133,664,000, RMB115,103,000, and RMB3,145,485,000, respectively, and decreases in retained profits and non-controlling interests of RMB12,404,000 and RMB2,381,000 at 1 January 2018, respectively.

As at 31 December 2018, the adoption of the HKFRS 15 resulted in increases in properties under development, completed properties held for sale, contract liabilities, revenue, cost of sales, retained profits and non-controlling interests of RMB235,648,000, RMB52,460,000, RMB4,342,213,000, RMB68,862,000, RMB62,643,000, RMB5,217,000 and RMB1,002,000, respectively.

(ii) Incremental cost for sales commission and stamp duty

Upon adoption of HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded as cost to obtain contracts. Capitalised sales commissions and stamp duty are charged to statement of profit or loss when the revenue from the related sale of properties is recognised and are included as direct operating expenses at that time. Accordingly, the Group has capitalised sales commissions and stamp duty paid/payable related to property sales contracts amounting to RMB38,045,000, resulting in increases in retained profits and non-controlling interests of RMB27,152,000 and RMB1,382,000 at 1 January 2018, respectively.

As at 31 December 2018, the adoption of HKFRS 15 resulted in increases in retained profits and non-controlling interests of RMB4,997,000 and RMB448,000, respectively.

2.2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES *(continued)*

(b) *(continued)*

(iii) Other adjustments

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment and Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) 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 HKFRS 10 and HKAS 28 (2011) 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 associate and joint ventures. However, the amendments are available for adoption now.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 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 HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that no right-of-use asset or lease liability will be recognised at 1 January 2019.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates 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 and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement 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 the statement of 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 HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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.

Fair value measurement

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

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 inventories, deferred tax assets and financial assets), 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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 the statement of 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 the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party is a person or 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(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.

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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of 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 annual rates used for this purpose are as follows:

Buildings	1.90%–19%
Motor vehicles	9.50%–19.40%
Machinery	9.50%–19.40%
Office equipment	9.50%–32.33%

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 the statement of 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)*

Property, plant and equipment and depreciation *(continued)*

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

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

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

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

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

The Group determines whether completed properties held for sale would be transferred to investment properties when, and only when, there is a change in use, evidenced by the following criteria: (a) the Group has prepared a business plan that reflects the future rental income generated by the property and this is supported with evidence that there is demand for rental space; (b) the Group can demonstrate that it has the resources, including the necessary financing or capital, to hold and manage an investment property; (c) the change in use is legally permissible; (d) if the property must be further developed for the change in use, and the development has commenced; and (e) change in use is approved by a board resolution.

Properties under development

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

Properties under development are classified as current assets unless they will not be realised in the normal operating cycle.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Allocation of property development costs

Land costs are allocated to each unit according to their respective saleable gross floor areas ("**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.

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.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of 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. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. 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. The Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Subsequent measurement *(continued)*

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

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

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

Financial assets at fair value through profit or loss

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Subsequent measurement *(continued)*

Financial assets at fair value through profit or loss *(continued)*

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Investments and other financial assets (policies under HKAS 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 financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(continued)*

Subsequent measurement *(continued)*

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(continued)*

Available-for-sale financial investments *(continued)*

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

General approach

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

General approach *(continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for contract assets which apply the simplified approach as detailed below.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKAS 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 financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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

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

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 statement of profit or loss. 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 statement of profit or loss 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 statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, as appropriate.

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

The Group's financial liabilities include trade and other payables, amounts due to directors and related parties and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

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 statement of 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 the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(continued)*

Subsequent measurement *(continued)*

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

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

Financial guarantee contracts (policies under HKAS 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.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 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 the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

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

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of 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 are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

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

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

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

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

- when the deferred tax 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

Government grants

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

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

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

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

Sale of properties

Revenue from the sale of properties is recognised at the point in time when control of the properties is transferred to the customer, generally on delivery of the properties.

Revenue from other sources

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

Other income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable before 1 January 2018)

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

(a) Sale of completed properties

Revenue from the sale of properties is recognised when the risks and rewards of the properties are transferred to the purchasers. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

(b) Property leasing income

Revenue derived from the leasing of the Group's properties is recognised on a time proportion basis over the lease terms.

(c) Interest income

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

Contract assets (applicable from 1 January 2018)

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

Contract liabilities (applicable from 1 January 2018)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract costs (applicable from 1 January 2018)

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

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

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

(c) The costs are expected to be recovered.

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

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 14% of their payroll costs to the central pension scheme. The contributions are charged to the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs *(continued)*

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging from 5.23% to 5.70% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the financial statements.

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

Foreign currencies

These financial statements are presented in Renminbi ("**RMB**"), which is the Company's functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated 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 the statement of 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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 owner-occupied properties

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

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 the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on prepayments, other receivables and other assets

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's prepayments, other receivables and other assets is disclosed in note 22 to the financial statements.

Estimation of fair value of investment properties

Investment properties were revalued based on the appraised market value 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 estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

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

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties *(continued)*

In the absence of current prices in an active market for similar properties, the Group considers information from discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties was RMB145,000,000 as at 31 December 2018 (2017: RMB163,000,000).

Net realisable value 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 and by reference to the latest selling prices of properties sold in the ordinary course of business by the Group or other developers in the same location.

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 judgements and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which such estimate is changed will be adjusted accordingly. The carrying amounts of properties under development and completed properties held for sale at 31 December 2018 were RMB5,311,072,000 (2017:RMB3,704,874,000) and RMB841,439,000 (2017:RMB1,333,444,000), respectively.

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

Estimation uncertainty *(continued)*

PRC land appreciation tax ("LAT")

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the 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. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2018 was RMB3,145,000 (2017: RMB17,000). The amount of unrecognised tax losses at 31 December 2018 was RMB23,728,000 (2017: RMB6,840,000). Further details are included in note 29 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than properties under development and completed properties held for sale) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. As at 31 December 2018, the Company's market capitalisation was lower than the Group's net asset value which is an indicator of impairment for non-financial assets. 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 calculations of the fair value less costs of disposal are based on current prices in an active market for similar non-financial assets and use assumptions that are mainly based on market conditions existing at the end of the reporting period. In the absence of current prices in an active market for similar non-financial assets, the Group estimates the expected future cash flows from the non-financial assets and chooses 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)*

Impairment of non-financial assets (other than goodwill) *(continued)*

The key assumptions used in the fair value less costs of disposal calculations include current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. Where the expectation is different from the original estimates, the carrying value and provision for such non-financial assets in the period in which such estimates are changed will be adjusted accordingly. As at 31 December 2018, the carrying value of long-lived non-financial assets (other than properties under development in non-current assets) is RMB78,021,000 (2017: RMB67,145,000).

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

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

No information about major customers is presented as no revenue to a single customer individually contributed to 10% or more of the Group's total revenue for the reporting period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	**1,081,640**	—
Sale of properties	**—**	1,094,019
Revenue from other sources		
Property leasing income	**7,346**	7,717
	1,088,986	1,101,736
Less: Business tax and government surcharges	**(24,296)**	(25,051)
	1,064,690	1,076,685

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018, all the Group's revenue generates from the sale of properties which is recognised at a point in time in Mainland China.

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

Revenue recognised that was included in contract liabilities at the beginning of the reporting period:

	2018 RMB'000
Sale of properties	**833,580**

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations

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

Sale of properties

The performance obligation is satisfied upon delivery of the properties and payment in advance is normally required.

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

	RMB'000
Within one year	3,141,964
More than one year	908,651
	4,050,615

	2018 RMB'000	2017 RMB'000
Other income		
Bank interest income	4,195	1,369
Other interest income from financial assets at fair value through profit or loss/ available-for-sale investments	11,370	13,929
Gross rental income	11,563	5,313
Compensation income	7,752	4,315
Others	230	747
	35,110	25,673

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank and other loans	**40,246**	27,540
Less: Interest capitalised	**(20,567)**	(20,734)
	19,679	6,806

7. PROFIT BEFORE TAX

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

	Notes	2018 RMB'000	2017 RMB'000
Cost of properties sold		**697,999**	700,325
Depreciation	13	**9,369**	9,114
Amortisation of intangible assets*	17	**291**	307
Minimum lease payments under operating leases		**364**	345
Amortisation of prepaid land lease payments	16	**45**	45
Auditor's remuneration		**1,850**	1,780
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**15,465**	10,891
Pension scheme contributions		**231**	165
Staff welfare expenses		**2,713**	1,600
		18,409	12,656
Impairment of other receivables	22	**614**	526
Changes in fair value of investment properties	14	**18,000**	1,000
Bank interest income		**(4,195)**	(1,369)
Other interest income from financial assets at fair value through profit or loss/available-for-sale investments		**(11,370)**	(13,929)
Impairment/(reversal of impairment) of completed properties held for sale	21	**1,829**	(335)

* The amortisation of intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

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	**200**	200
Other emoluments:		
Salaries, allowances and benefits in kind	**1,231**	1,231
Performance related bonuses	**342**	338
Pension scheme contributions	**89**	79
	1,662	1,648
	1,862	1,848

(a) Independent non-executive directors

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

	2018 RMB'000	2017 RMB'000
Mr. Gu Jiong	**120**	120
Mr. Tian Hua	**40**	40
Mr. Qiu Yongqing	**40**	40
	200	200

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and the chief executive

2018	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Bai Xuankui	—	542	108	—	650
Mr. Bai Wukui	—	507	108	35	650
Mr. Dong Shiguang	—	82	18	19	119
Mr. Bai Guohua	—	100	108	35	243
	—	1,231	342	89	1,662
2017					
Executive directors:					
Mr. Bai Xuankui	—	542	108	—	650
Mr. Bai Wukui	—	507	106	30	643
Mr. Dong Shiguang	—	82	18	19	119
Mr. Bai Guohua	—	100	106	30	236
	—	1,231	338	79	1,648

Mr. Bai Wukui is the chief executive officer and an executive director of the Group.

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

The directors did not receive any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2017: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

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

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**628**	617
Performance related bonuses	**174**	200
Pension scheme contributions	**105**	90
	907	907

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

	Number of employees	
	2018	2017
Nil to HK$1,000,000	**3**	3

The five highest paid employees did not receive any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2017: Nil).

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the 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. Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax is based on a tax rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2017: Nil).

During the current year, except for Zhida Trading, which was entitled to a preferential income tax rate of 10% for small and micro enterprises, the provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

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

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

Major components of the Group's income tax expense are as follows:

	2018 RMB'000	2017 RMB'000
Current tax:		
Income tax charge	**105,094**	151,812
LAT	**37,532**	40,002
Deferred tax	**(47,086)**	(75,341)
Total tax charge for the year	**95,540**	116,473

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	2018 RMB'000	2017 RMB'000
Profit before tax	**226,726**	296,041
Tax at the statutory tax rate	**57,012**	74,702
Provision for LAT	**37,532**	40,002
Tax effect of LAT provision	**(9,383)**	(10,001)
Effect of withholding tax at 10% on distributable profits of the Group's PRC subsidiaries	**6,369**	9,798
Expenses not deductible for tax	**1,343**	1,326
Income not subject to tax	**(1,555)**	—
Tax losses not recognised	**4,222**	646
Tax charge at the Group's effective rate	**95,540**	116,473

Tax payable in the consolidated statement of financial position represents:

	2018 RMB'000	2017 RMB'000
Tax payable		
— PRC corporate income tax	**42,469**	86,606
— PRC LAT	**—**	14,448
	42,469	101,054

11. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Proposed final — Nil (2017: HK20 cents) per ordinary share	—	83,590

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 500,000,000 (2017: 500,000,000) in issue and issuable during the year.

The calculation of basic earnings per share is based on:

	2018 RMB'000	2017 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**124,889**	170,519

	2018 '000	2017 '000
Share		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	**500,000**	500,000

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Office equipment RMB'000	Total RMB'000
31 December 2018					
At 31 December 2017 and 1 January 2018:					
Cost	66,753	20,351	791	14,606	102,501
Accumulated depreciation	(13,389)	(10,962)	(726)	(11,953)	(37,030)
Net carrying amount	53,364	9,389	65	2,653	65,471
At 1 January 2018, net of accumulated depreciation	53,364	9,389	65	2,653	65,471
Additions	8,960	9,952	49	1,620	20,581
Depreciation provided during the year	(4,307)	(3,291)	(30)	(1,741)	(9,369)
At 31 December 2018, net of accumulated depreciation	58,017	16,050	84	2,532	76,683
At 31 December 2018:					
Cost	75,713	30,303	840	16,226	123,082
Accumulated depreciation	(17,696)	(14,253)	(756)	(13,694)	(46,399)
Net carrying amount	58,017	16,050	84	2,532	76,683

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

	Buildings RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Office equipment RMB'000	Total RMB'000
31 December 2017					
At 31 December 2016 and 1 January 2017:					
Cost	66,753	16,393	791	13,545	97,482
Accumulated depreciation	(9,348)	(8,448)	(660)	(9,466)	(27,922)
Net carrying amount	57,405	7,945	131	4,079	69,560
At 1 January 2017, net of accumulated depreciation	57,405	7,945	131	4,079	69,560
Additions	—	3,958	—	1,067	5,025
Depreciation provided during the year	(4,041)	(2,514)	(66)	(2,493)	(9,114)
At 31 December 2017, net of accumulated depreciation	53,364	9,389	65	2,653	65,471
At 31 December 2017:					
Cost	66,753	20,351	791	14,606	102,501
Accumulated depreciation	(13,389)	(10,962)	(726)	(11,953)	(37,030)
Net carrying amount	53,364	9,389	65	2,653	65,471

14. INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**163,000**	164,000
Net loss from a fair value adjustment	**(18,000)**	(1,000)
Carrying amount at 31 December	**145,000**	163,000

The Group's investment properties consist of three commercial properties in China. The directors of the Company have determined that the investment properties consist of two classes of assets, i.e., retail and office, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2018 based on valuations performed by DTZ Debenham Tie Leung Limited ("**DTZ**"), an independent professionally qualified valuer, at RMB145,000,000 (2017: RMB163,000,000).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 33.

At 31 December 2018, no investment properties were pledged to secure bank loans granted to the Group (2017: RMB55,000,000) (note 28).

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2018 using			
	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
Recurring fair value measurement for:				
Retail properties	—	—	100,000	100,000
Office properties	—	—	45,000	45,000
	—	—	145,000	145,000

	Fair value measurement as at 31 December 2017 using			
	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
Recurring fair value measurement for:				
Retail properties	—	—	119,000	119,000
Office properties	—	—	44,000	44,000
	—	—	163,000	163,000

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).

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Retail properties RMB'000	Office properties RMB'000
Carrying amount at 1 January 2017	120,000	44,000
Net loss from a fair value adjustment recognised in other expenses in the statement of profit or loss	(1,000)	—
Carrying amount at 31 December 2017 and 1 January 2018	119,000	44,000
Net loss from a fair value adjustment recognised in other expenses in the statement of profit or loss	(19,000)	1,000
Carrying amount at 31 December 2018	**100,000**	**45,000**

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

Investment properties	Valuation techniques	Significant unobservable inputs	Range of unobservable inputs 2018	2017
Retail properties	Income approach	Prevailing market rents	RMB27 to RMB121	RMB22 to RMB123
		Yield rate	7%	7%
Office properties	Income approach	Prevailing market rents	RMB79 to RMB122	RMB72 to RMB119
		Yield rate	7%	7%

Prevailing market rents are estimated based on recent letting transactions within the subject properties and other comparable properties. A significant increase (decrease) in the estimated rental value in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the yield rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by an opposite change in the yield rate.

15. PROPERTIES UNDER DEVELOPMENT

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**3,704,874**	3,949,841
Effect of adoption of HKFRS 15	**133,664**	—
Carrying amount at 1 January (restated)	**3,838,538**	—
Additions	**1,565,254**	741,696
Transfer to completed properties held for sale (note 21)	**(92,720)**	(986,663)
Carrying amount at 31 December	**5,311,072**	3,704,874
Less: Current portion	**(4,836,741)**	(3,158,817)
Non-current portion	**474,331**	546,057

Properties under development expected to be recovered:

	2018 RMB'000	2017 RMB'000
Within one year	**3,484,951**	2,776,111
After one year	**1,351,790**	382,706
	4,836,741	3,158,817

At 31 December 2018, certain of the Group's properties under development with a carrying value of approximately RMB109,644,900 (2017: RMB532,218,000) were pledged to secure bank loans granted to the Group (note 28).

16. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**1,419**	1,464
Recognised during the year	**(45)**	(45)
Carrying amount at 31 December	**1,374**	1,419
Current portion included in prepayments, other receivables and other assets	**(45)**	(45)
Non-current portion	**1,329**	1,374

17. INTANGIBLE ASSETS

	Software RMB'000
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	**300**
Amortisation provided during the year	**(291)**
At 31 December 2018	**9**
At 31 December 2018:	
Cost	**1,645**
Accumulated amortisation	**(1,636)**
Net carrying amount	**9**
31 December 2017	
At 1 January 2017:	
Cost	1,669
Accumulated amortisation	(1,039)
Net carrying amount	630
Cost at 1 January 2017, net of accumulated amortisation	630
Disposals	(23)
Amortisation provided during the year	(307)
At 31 December 2017	300
At 31 December 2017:	
Cost	1,645
Accumulated amortisation	(1,345)
Net carrying amount	300

18. INVESTMENT IN A JOINT VENTURE

	2018 RMB'000	2017 RMB'000
Share of net assets	**195**	—

The Group's transactions with the joint venture are disclosed in note 37 to the financial statements.

Particulars of the joint venture are as follows:

Company	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Shanxi Greentown Property Service Co., Ltd. ("Shanxi Greentown Property")	PRC/ MainlandChina	RMB 6,000,000	49	Property management

In the opinion of the directors, the joint venture is not material to the Group. The joint venture is accounted for using the equity method and there is no quoted market price available for its shares.

The above investment is held by an indirectly wholly-owned subsidiary of the Company.

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

	2018 RMB'000
Share of the joint venture's profit for the year	**(295)**
Share of the joint venture's total comprehensive income	**(295)**
Carrying amount of the Group's investments in the joint venture	**195**

19. INVESTMENT IN AN ASSOCIATE

	2018 RMB'000	2017 RMB'000
Share of net assets	**22,490**	—

Particulars of the associate are as follows:

Company	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Xishuangbanna Yunchen Real Estate Co., Ltd. ("Yunchen Real Estate")	PRC/ Mainland China	RMB 10,000,000	49	Development and sale of properties

In the opinion of the directors, the associate is not material to the Group. The associate is accounted for using the equity method and there is no quoted market price available for its shares.

The above investment is held by an indirectly wholly-owned subsidiary of the Company.

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

	2018 RMB'000
Share of the associate's profit for the year	**(10)**
Share of the associate's total comprehensive income	**(10)**
Carrying amount of the Group's investments in the associate	**22,490**

20. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	**13,231**	2,137
Low value consumables	**19**	23
	13,250	2,160

21. COMPLETED PROPERTIES HELD FOR SALE

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**1,333,444**	1,046,771
Effect of adoption of HKFRS 15	**115,103**	—
Carrying amount at 1 January (restated)	**1,448,547**	—
Transfer from properties under development (note 15)	**92,720**	986,663
Transfer to cost of properties sold	**(697,999)**	(700,325)
Impairment/(reversal of impairment) during the year	**(1,829)**	335
Carrying amount at 31 December	**841,439**	1,333,444

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 RMB'000	2017 RMB'000
Prepayments	**33,067**	41,131
Prepaid land lease payments	**45**	45
Deposits and other receivables	**373,650**	303,547
Cost to obtain contracts[1]	**45,305**	—
Other tax recoverable	**156,611**	124,367
	608,678	469,090
Impairment allowance	**(1,140)**	(526)
	607,538	468,564

[1] Details of cost to obtain contracts as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Cost to obtain contracts	**45,305**	38,045

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

(1) (continued)

Cost to obtain contracts are initially recognised for revenue earned from the sale of completed properties. Included in cost to obtain contracts for the sale of completed properties are sales commission and stamp duty. When the revenue from the related property sale is recognised, the amount recognised as cost to obtain contracts is charged out to selling and distribution expenses and administrative expenses. The increase in cost to obtain contracts in 2018 was the result of the increase in the ongoing sale of properties and the sales commission and stamp duty at the end of the year.

The expected timing of recovery or settlement for cost to obtain contracts as at 31 December 2018 is as follows:

	RMB'000
Within one year	16,126
More than one year	29,179
Total cost to obtain contracts	45,305

The movements in the loss allowance for impairment of other receivables are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	526	—
Impairment losses recognised	614	526
At end of year	1,140	526

Deposits and other receivables mainly represent deposits with suppliers and governments. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2018 was close to zero.

Other receivables are unsecured and non-interest-bearing and have no fixed terms of repayment.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS

	2018 RMB'000	2017 RMB'000
Unlisted investments, at fair value	**111,774**	173,610

The above unlisted investments at 31 December 2018 were wealth management products issued by banks in Mainland China and bore expected yield rates of 1.2% to 4.7% per annum upon maturity in the current year (2017: 2.0% to 4.7%). They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018 RMB'000	2017 RMB'000
Total cash and bank balances, including pledged deposits	**1,590,332**	408,657
Less: Pledged deposits	**(40,171)**	(22,305)
Restricted bank balance	**(103,000)**	(103,839)
Cash and cash equivalents	**1,447,161**	282,513

At 31 December 2018, the cash and bank balances of the Group denominated in RMB amounted to RMB1,565,408,000 (2017: RMB406,690,000). 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.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(continued)*

Restricted bank balance represents the deposit in an escrow account set up at a bank by the Group for the acquisition of a 100% equity interest in Hainan Degao, from two third party individuals (the "**Vendors**"), which could only be used after the approval by the Vendors.

At 31 December 2018, the cash and bank balances amounting to RMB103,000,000 were frozen pursuant to the civil ruling issued by the Hainan Province Longhua District People's Court. At 31 December 2017, RMB950,000 was frozen pursuant to the civil rulings issued by the Shanxi Province Superior People's Court which was settled in 2018.

25. TRADE PAYABLES

An ageing analysis of the trade payables, based on the payment due date, is as follows:

	2018 RMB'000	2017 RMB'000
Less than 1 year	**491,617**	516,617
1 to 2 years	**41,883**	106,127
2 to 3 years	**85,226**	24,509
3 to 4 years	**22,727**	63,665
4 to 5 years	**46,471**	5,957
Over 5 years	**15,238**	36,523
	703,162	753,398

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

26. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2018 RMB'000	2017 RMB'000
Payroll and welfare payable	**7,600**	6,611
Payables to government authority	**12,502**	34,583
Deposits related to sales of properties	**15,193**	10,986
Deposits related to construction	**2,852**	1,215
Sales commission payable	**3,150**	3,701
Payables to third parties	**89,939**	77,578
Advances from lessees	**4,186**	—
Interest payable	**1,475**	1,439
Advances from government		
— Phase I of Longtian Project[1]	**1,603,893**	1,520,675
— Beiliubao Project[2]	**3,926**	3,926
Taxes payable other than corporate income tax	**5,196**	4,474
	1,749,912	1,665,188

Notes:

(1) Represented the payment from the management committee and Finance Commission of the Economic Technology Development District, Jinzhong as development costs for the construction of Phase I of Longtian Project, which would be paid to the suppliers.

(2) Represented the payment from the Finance Commission of the Economic Technology Development District, Jinzhong as development costs for the construction of Beiliubao Project, which would be paid to the suppliers.

Other payables are unsecured, non-interest-bearing and repayable on demand.

27. CONTRACT LIABILITIES

	2018 RMB'000	2017 RMB'000
Contract liabilities	4,342,213	—

Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Sale of goods	10,000	—
Sale of properties	4,332,213	3,145,485
Total contract liabilities	4,342,213	3,145,485

Contract liabilities include the sales proceeds received from buyers in connection with the Group's pre-sales of properties and short-term advances received to deliver goods. The increase in contract liabilities in 2018 was mainly due to the increase in pre-sales of properties at the end of the reporting period.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured			—	5.22	2018	46,000
Current portion of long term bank loans — secured	5.23–6.51	2019	150,620	5.23-5.70	2018	105,000
Other loans — secured	7.00	2019	74,000			—
			224,620			151,000
Non-current						
Bank loans — secured	5.23–6.60	2021	633,949	5.23-5.70	2020	295,000
			858,569			446,000

28. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans:		
Within one year or on demand	**150,620**	151,000
In the second year	**337,000**	135,000
In the third to fifth years, inclusive	**296,949**	160,000
Other borrowings repayable:		
Within one year or on demand	**74,000**	—
	858,569	446,000

Notes:

(i) The bank borrowings of approximately RMB143,000,000 (2017:RMB250,000,000) were secured by certain properties under development of RMB109,644,900 (2017:RMB532,218,000) (note 15) and were guaranteed by the Company, a director of the Company and the Company's controlling shareholders;

(ii) certain of the Group's bank loans are secured by mortgages over the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of nil (2017: RMB55,000,000) (note 14);

(iii) the bank borrowings of approximately RMB340,000,000 (2017: RMB150,000,000) were guaranteed by the shareholders of a subsidiary of the Group;

(iv) the bank borrowings of approximately RMB131,569,000 (2017: nil) were guaranteed by a minority shareholder of a subsidiary of the Group;

(v) the bank borrowings of approximately RMB170,000,000 (2017: nil) were guaranteed by a subsidiary of the Group; and

(vi) the other borrowings of approximately RMB74,000,000 (2017: nil) were guaranteed by a subsidiary of the Group.

29. DEFERRED TAX

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

Deferred tax liabilities

	Fair value adjustment arising from investment properties RMB'000	Withholding tax RMB'000	Gain on property revaluation RMB'000	Accrued LAT RMB'000	Cost to obtain contracts RMB'000	Total RMB'000
At 1 January 2017	25,915	14,942	7,777	–	–	48,634
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(250)	(5,202)	–	2,011	–	(3,441)
Gross deferred tax liabilities at 31 December 2017 and 1 January 2018	25,665	9,740	7,777	2,011	–	45,193
Effect of adoption of HKFRS 15	–	–	–	–	9,511	9,511
Gross deferred tax liabilities at 31 December 2017 and 1 January 2018 (restated)	25,665	9,740	7,777	2,011	9,511	54,704
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(4,500)	(3,571)	–	11,639	1,815	5,383
Gross deferred tax liabilities at 31 December 2018	21,165	6,169	7,777	13,650	11,326	60,087

29. DEFERRED TAX *(continued)*

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

Deferred tax assets

	Prepaid accrued LAT RMB'000	Corporate income tax RMB'000	Tax losses RMB'000	Accrued payroll RMB'000	Unrealised profit attributable to the intra-group transactions RMB'000	Impairment of property held for sale RMB'000	Decelerated depreciation for tax purposes RMB'000	Impairment of other receivables RMB'000	Total RMB'000
Gross deferred tax assets at 31 December 2016 and 1 January 2017	5,233	125,756	583	2,028	645	2,259	228	–	136,732
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(5,233)	78,095	(566)	(263)	(409)	(349)	494	131	71,900
Gross deferred tax assets at 31 December 2017	–	203,851	17	1,765	236	1,910	722	131	208,632
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	–	44,902	3,128	(186)	4,050	105	316	154	52,469
Gross deferred tax assets at 31 December 2018	–	248,753	3,145	1,579	4,286	2,015	1,038	285	261,101

29. DEFERRED TAX *(continued)*

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

	2018 RMB'000	2017 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**207,183**	173,179
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(6,169)**	(9,740)

Deferred tax assets have not been recognised in respect of the following item:

	2018 RMB'000	2017 RMB'000
Tax losses	**23,728**	6,840

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise 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/arrangement between Mainland China and the jurisdiction of the foreign investors and the foreign investors are the beneficial owners of the dividends. The Group is therefore liable to withholding taxes on dividends distributed by those foreign invested subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. For the Group, the applicable rate is 10%.

29. DEFERRED TAX *(continued)*

Deferred tax liabilities are recognised based on the estimated dividend to be distributed from the distributable earnings for the year ended 31 December 2018 from the subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries established in Mainland China will distribute the remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB552,981,000 as at 31 December 2018 (2017: RMB460,887,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

	2018 HK$'000	2017 HK$'000
Authorised: 1,000,000,000 (2017: 1,000,000,000) ordinary shares of HK$0.01 each	**10,000**	10,000

	2018 RMB'000	2017 RMB'000
Issued and fully paid: 500,000,000 (2017: 500,000,000) ordinary shares of HK$0.01 each	**4,003**	4,003

A summary of movements in the Company's share capital and share premium is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	**500,000,000**	**4,003**	**219,418**	**223,421**

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 304 to 305 of the financial statements.

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are registered in the PRC as domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Capital reserve

Capital reserve of the Group represents the aggregate amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company.

On 12 September 2013, Sichuan Changxing (Holdings) Limited ("Sichuan Changxing") injected additional capital of RMB139,200,000 into Chen Xing Sichuan. Upon completion of the capital contribution, the shareholding of the Group in Chen Xing Sichuan decreased from 100% to 83.89%. The difference between the contributed amount of RMB139,200,000 net of tax of RMB1,375,000 and the share of net assets of Chen Xing Sichuan by Sichuan Changxing was recorded as capital reserve.

On 24 December 2014 and as part of the reorganisation, the Group acquired Chen Xing from the shareholders of Chen Xing at a cash consideration of RMB203,809,000 which was fully paid in January 2015.

32. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group are included in notes 14, 15 and 28 to the financial statements.

33. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties (note 14) and office buildings under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**9,300**	7,044
In the second to ten years, inclusive	**23,268**	27,142
	32,568	34,186

As lessee

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of one to two years.

As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**108**	324
In the second to fifth years, inclusive	**—**	81
	108	405

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital commitments at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Property development activities	**2,173,605**	1,595,363
Capital contribution payable to a joint venture	**2,450**	—
	2,176,055	1,595,363

35. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000
At 1 January 2018	**446,000**
Changes from financing cash flows	**412,569**
At 31 December 2018	**858,569**
At 1 January 2017	281,000
Changes from financing cash flows	165,000
At 31 December 2017	446,000

36. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2018 RMB'000	2017 RMB'000
Guarantees given to banks in respect of mortgage facilities granted to the purchasers of the Group's properties	**1,545,762**	1,548,694

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 for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to those banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends at the execution of individual purchaser's collateral agreement.

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

37. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Name	Relationship
Mr. Bai Xuankui	Director, the ultimate controlling shareholder
Mr. Bai Guohua	Director, the ultimate controlling shareholder
Shanxi Wanjia Property Service Co., Ltd. ("Shanxi Wanjia")	Company controlled by the daughter of Mr. Bai Xuankui
Shanxi Wanzhong Heating Co., Ltd. ("Shanxi Wanzhong")	Company controlled by the daughter of Mr. Bai Xuankui
Xi'an Agile	Shareholder of a subsidiary
Shanxi Greentown Property	A joint venture

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the reporting period:

	2018 RMB'000	2017 RMB'000
Operation support fund from a related party		
Xi'an Agile	**95,717**	—
Advance payment by a related party		
Shanxi Wanjia	**—**	603
Refund of advance payment by a related party		
Shanxi Wanjia	**—**	603
Property management service from related parties		
Shanxi Greentown Property	**800**	—
Shanxi Wanjia	**2,576**	1,710
	3,376	1,710

37. RELATED PARTY TRANSACTIONS *(continued)*

(b) Other transactions with related parties:

Mr. Bai Xuankui has guaranteed certain of the Group's bank loans up to RMB143,000,000 (2017: RMB250,000,000) as at the end of the reporting period (note 28).

(c) Outstanding balances with related parties:

The Group had the following significant balances with its related parties during the reporting period:

	Note	2018 RMB'000	2017 RMB'000
Due to a director			
Mr. Bai Guohua	(i)	**91**	87
Due to related parties			
Shanxi Wanjia	(i)	**2,576**	1,710
Shanxi Wanzhong	(i)	**7**	7
Xi'an Agile	(i)	**95,717**	—
		98,300	1,717

Note:

(i) The balances were repayable on demand, unsecured and interest-free.

(d) Compensation of key management personnel of the Group:

	2018 RMB'000	2017 RMB'000
Short term employee benefits	**2,599**	2,514
Pension scheme contributions	**229**	199
Total compensation paid to key management personnel	**2,828**	2,713

Future details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

38. 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:

2018

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	373,650	—	373,650
Financial assets at fair value through profit or loss	—	111,774	111,774
Pledged deposits	40,171	—	40,171
Restricted bank balance	103,000	—	103,000
Cash and cash equivalents	1,447,161	—	1,447,161
	1,963,982	111,774	2,075,756

2018

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	703,162
Financial liabilities included in other payables and accruals	109,918
Interest-bearing bank and other borrowings	858,569
Due to related parties	98,300
Due to a director	91
	1,770,040

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

2017

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	303,021	—	303,021
Available-for-sale investments	—	173,610	173,610
Pledged deposits	22,305	—	22,305
Restricted bank balance	103,839	—	103,839
Cash and cash equivalents	282,513	—	282,513
	711,678	173,610	885,288

2017

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	753,398
Financial liabilities included in other payables and accruals	110,955
Interest-bearing bank and other borrowings	446,000
Due to related parties	1,717
Due to a director	87
	1,312,157

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings, amounts due to a director and related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the board of directors. At each 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 interim and annual financial reporting.

The fair values of the financial assets at fair value through profit or loss have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for financial assets at fair value through profit or loss as at the end of the reporting period was assessed to be insignificant.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	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
Financial assets at fair value through profit or loss	—	111,774	—	111,774

As at 31 December 2017

	Fair value measurement using			
	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
Available-for-sale investments	—	173,610	—	173,610

The Group did not have any financial liabilities measured at fair value as at the end of the reporting period.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank balances, pledged deposits, trade receivables and trade payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, amounts due to a director and related parties, other receivables and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. 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 chief financial officer reviews and agrees policies for managing each of these risks and they are summarised below:

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 28. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2018		
RMB	**0.5%**	**(3,923)**
RMB	**(0.5%)**	**3,923**
2017		
RMB	0.5%	(2,230)
RMB	(0.5%)	2,230

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in profit before tax RMB'000
2018		
If RMB weakens against HK$	**5**	**1,242**
If RMB strengthens against HK$	**(5)**	**(1,242)**
2017		
If RMB weakens against HK$	5	877
If RMB strengthens against HK$	(5)	(877)

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations.

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 reporting period.

The credit risk of the Group's other financial assets, which mainly comprise pledged deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

Year ended 31 December 2018

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	107,133	163,818	670,374	941,325
Trade payables	703,162	—	—	—	703,162
Financial liabilities included in other payables and accruals	109,918	—	—	—	109,918
Due to related parties	98,300	—	—	—	98,300
Due to a director	91	—	—	—	91
	911,471	107,133	163,818	670,374	1,852,796
Financial guarantees issued: Maximum amount guaranteed (note 36)	1,545,762	—	—	—	—

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Year ended 31 December 2017

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	35,912	280,627	169,612	486,151
Trade payables	753,398	—	—	—	753,398
Financial liabilities included in other payables and accruals	110,955	—	—	—	110,955
Due to related parties	1,717	—	—	—	1,717
Due to a director	87	—	—	—	87
	866,157	35,912	280,627	169,612	1,352,308
Financial guarantees issued: Maximum amount guaranteed (note 36)	1,548,694	—	—	—	—

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 a strong credit rating and 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 is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank and other borrowings. The gearing ratios as at the end of the reporting periods were as follows:

	2018 RMB'000	2017 RMB'000
Interest-bearing bank and other borrowings	**858,569**	446,000
Total debt	**858,569**	446,000
Total equity	**1,197,827**	1,107,704
Gearing ratio	**71.68%**	40.26%

41. EVENTS AFTER THE REPORTING PERIOD

(a) On 2 January 2019, Chen Xing, a domestic subsidiary of the Group, entered into a short-term loan agreement with Yunchen Real Estate, an associate of the Group, pursuant to which Chen Xing provided Yunchen Real Estate with a loan of RMB102,600,000 with the interest rate of 12% per annum for a period of twelve months commencing from 3 January 2019 until 2 January 2020.

(b) On 12 December 2018, Chen Xing, a domestic subsidiary of the Group, entered into the equity transfer agreement with Xishuangbanna Haoyuan Tourism Development Co., Ltd. ("**Haoyuan Tourism**"), pursuant to which Chen Xing has conditionally agreed to acquire and Haoyuan Tourism has conditionally agreed to sell 49% equity interests in the Xishuangbanna Jingyuan Investment Development Co., Ltd. ("**Jingyuan Investment**"). On 4 January 2019, the majority shareholder, Beijing Sunshine Real Estate Comprehensive Development Co., Ltd. ("**Sunshine Comprehensive**") has given up its pre-emption rights to acquire the 49% equity interests, and entered into another equity transfer agreement with Chen Xing, pursuant to which Chen Xing has agreed to acquire and Sunshine Comprehensive has agreed to sell 51% equity interest in the Jingyuan Investment.

(c) On 28 February 2019, the Group completed the equity capital raising activity in which one rights share was issued on the basis of every five existing shares held as at the record date at the subscription price of HKS1.50 per rights share. Valid applications and acceptances in respect of a total of 130,896,878 rights shares had been received, representing approximately 130.9% of the 99,999,989 total number of rights shares available for subscription under the rights issue. A total of 99,999,989 rights shares were allotted and issued pursuant to the rights issue.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	**876**	836
CURRENT ASSETS		
Due from a subsidiary	**228,643**	228,643
Cash and cash equivalents	**15,846**	16,774
Total current assets	**244,489**	245,417
CURRENT LIABILITIES		
Due to a director	**3**	3
Due to subsidiaries	**13,333**	13,268
Total current liabilities	**13,336**	13,271
NET CURRENT ASSETS	**231,153**	232,146
TOTAL ASSETS LESS CURRENT LIABILITIES	**232,029**	232,982
NET ASSETS	**232,029**	232,982
EQUITY		
Share capital	**4,003**	4,003
Reserves (note)	**228,026**	228,979
TOTAL EQUITY	**232,029**	232,982

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017	219,418	13,753	(211)	232,960
Final 2016 dividend declared	—	—	(130,770)	(130,770)
Total comprehensive income for the year	—	—	126,946	126,946
Exchange differences on translation of foreign operations	—	(157)	—	(157)
At 31 December 2017	219,418	13,596	(4,035)	228,979
Final 2017 dividend declared	—	—	(81,840)	(81,840)
Total comprehensive income for the year	—	—	83,004	83,004
Exchange differences on translation of foreign operations	—	(2,117)	—	(2,007)
At 31 December 2018	219,418	11,479	(2,871)	228,025

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2019.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**1,064,690**	1,076,685	1,081,989	966,213	825,888
Cost of sales	**(697,999)**	(700,354)	(745,308)	(684,824)	(587,443)
Gross profit	**366,691**	376,331	336,681	281,389	238,445
Other income and gains	**35,110**	25,673	10,248	292,871	5,528
Selling and distribution expenses	**(55,063)**	(46,611)	(58,879)	(47,420)	(38,655)
Administrative expenses	**(73,395)**	(45,190)	(38,104)	(60,778)	(36,301)
Other expenses	**(26,663)**	(7,356)	(9,823)	(19,553)	(224)
Finance costs	**(19,679)**	(6,806)	(3,763)	(6,894)	(2,161)
Share of losses of:					
Joint venture	**(295)**				
Associate	**(10)**				
PROFIT BEFORE TAX	**226,726**	296,041	236,360	439,615	166,481
Income tax expense	**(95,540)**	(116,473)	(89,398)	(151,583)	(60,046)
PROFIT FOR THE YEAR	**131,186**	179,568	146,962	288,032	106,435
Attributable to:					
Owners of the parent	**124,889**	170,519	151,832	290,103	104,342
Non-controlling interests	**6,297**	9,049	(4,870)	(2,071)	2,093
	131,186	179,568	146,962	288,032	106,435

FIVE YEAR FINANCIAL SUMMARY

	As at 31 December				
	2018	**2017**	**2016**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
TOTAL ASSETS	**8,998,712**	6,974,329	6,359,523	5,848,824	4,450,076
TOTAL LIABILITIES	**(7,800,885)**	(5,866,625)	(5,297,488)	(4,725,544)	(3,871,815)
NON-CONTROLLING INTERESTS	**(118,858)**	(88,583)	(79,534)	(84,404)	(86,475)
	1,078,969	1,019,121	982,051	1,038,876	491,786

CHEN XING