



**明发集团**  
MINGFA GROUP

**Mingfa Group (International) Company Limited**

**明發集團（國際）有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock code : 846

**2018**  
**ANNUAL REPORT**



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wong Wun Ming (Chairman)  
Mr. Huang Qingzhu  
Mr. Huang Lianchun  
Mr. Huang Li Shui

### Independent Non-Executive Directors

Mr. Lau Kin Hon  
Mr. Chu Kin Wang Peleus (appointed on 1 November 2016)  
Dr. Lam, Lee G. (appointed on 1 September 2018)  
Mr. Qu Wenzhou (resigned on 31 August 2018)  
Mr. Dai Yiyi (resigned on 1 September 2018)  
Dr. Wong Tin Yau Kelvin J.P. (appointed on 1 September 2018 and retired on 6 March 2019)

## COMPANY SECRETARY

Mr. Poon Wing Chuen (FCCA)

## AUDIT COMMITTEE

Mr. Chu Kin Wang Peleus (appointed on 1 November 2016) (chairperson of the committee effective 1 September 2018)  
Mr. Lau Kin Hon  
Dr. Lam, Lee G. (appointed on 1 September 2018)  
Mr. Qu Wenzhou (chairperson of the committee and resigned on 31 August 2018)  
Mr. Dai Yiyi (resigned on 1 September 2018)  
Dr. Wong Tin Yau Kelvin J.P. (appointed on 1 September 2018 and retired on 6 March 2019)

## NOMINATION COMMITTEE

Mr. Wong Wun Ming (appointed on chairperson of the committee on 1 September 2018)  
Mr. Lau Kin Hon  
Mr. Chu Kin Wang Peleus (appointed on 1 November 2016)  
Mr. Qu Wenzhou (resigned on 31 August 2018)  
Mr. Dai Yiyi (chairperson of the committee and resigned on 1 September 2018)

## REMUNERATION COMMITTEE

Mr. Lau Kin Hon (chairperson of the committee effective 1 September 2018)  
Mr. Chu Kin Wang Peleus (appointed on 1 November 2016)  
Mr. Wong Wun Ming (appointed as a member of the committee on 1 September 2018)  
Mr. Qu Wenzhou (chairperson of the committee and resigned on 31 August 2018)  
Mr. Dai Yiyi (resigned on 1 September 2018)

## AUTHORISED REPRESENTATIVES

Mr. Wong Wun Ming  
Mr. Poon Wing Chuen (FCCA)

## REGISTERED OFFICE

Vistra (Cayman) Limited  
P.O. Box 31119 Grand Pavilion  
Hibiscus Way, 802 West Bay Road  
Grand Cayman, KY1-1205  
Cayman Islands

## HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Jiangsu Mingfa Business Park  
No. 88 Pudong North Road  
Pukou, Nanjing City  
Jiangsu Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 6-8, 23/F, South Tower  
Concordia Plaza  
1 Science Museum Road  
Tsim Sha Tsui  
Kowloon  
Hong Kong

## COMPANY'S WEBSITE

<http://www.ming-fa.com>

## STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED (MAIN BOARD)

846



**PRINCIPAL SHARE REGISTRAR AND  
TRANSFER OFFICE**

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

**HONG KONG BRANCH SHARE  
REGISTRAR AND TRANSFER OFFICE**

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

**PRINCIPAL BANKERS**

Hang Seng Bank Limited  
Bank of China (Hong Kong) Limited

**LEGAL ADVISER AS TO HONG KONG  
LAWS**

Paul Hastings  
21–22/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**AUDITOR**

BDO Limited  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong



# Chairman's Statement

Dear Shareholders,

On behalf of the board ("**Board**") of directors ("**Directors**") of Mingfa Group (International) Company Limited ("**Company**" and together with its subsidiaries, "**Group**" or "**Mingfa Group**"), I am pleased to present the annual report for the year ended 31 December 2018 ("**year under review**").

On behalf of the Board, I would like to express our most sincere gratitude to all the shareholders of the Company, investors, business partners and other stakeholders for their understanding and continued support to the Company despite the suspension of trading in the shares of the Company ("**Shares**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since 1 April 2016.

According to the National Bureau of Statistics, GFA of 1.7 billion sq.m. of commodity housing were sold in 2018, up by 1.3% compared with that in 2017. In 2018, the stringent regulations on the real estate market was continued so as to curb the speculative investment. These policies were also aimed at ensuring sufficient housing supply to meet domestic demand.

The Group has continued to strengthen its expertise to bolster its market position and focus on developing a diversified and balanced property portfolio in growing cities such as Nanjing and Wujiang where the Group had land reserves of 1.8 million sq.m. and 3.6 million sq.m. in terms of GFA respectively.



## Chairman's Statement

For the year under review, the Group achieved record high income and profit for year which was RMB11.6 billion and RMB1.3 billion respectively. The contracted sales for year ended 2018 was RMB16.3 billion of which RMB5.9 billion was generated from Nanjing.

Meanwhile, the Group is adhering to prudent financial management practices through carefully controlling its leverage level while maintaining diverse finance resources. In January 2018, the Group issued private placed senior notes of USD200 million which was used to re-finance the payment of senior notes issued in 2017.

The Board remains positive towards the prospects of real estate market in PRC. By steadfastly adhering to its low land-cost strategy and actively exploring acquisition opportunities of land parcels in high growth potential cities, the Board has confidence in the business performance of the Group.

Last but not least, I wish to express my heartfelt appreciation to the members of the Board for their outstanding leadership, the shareholders and business associates for their patience and understanding as well as trust and the entire staff for their constant dedication.

**Wong Wun Ming**

*Chairman*

28 June 2019



# Management Discussion and Analysis





**FINANCIAL HIGHLIGHTS**

For the year ended  
31 December

	2018 (audited)	2017 (audited)	Percentage of increase/ (decrease)
Revenue ( <i>RMB million</i> )	<b>11,641.9</b>	10,071.4	15.6%
Profit for the year ( <i>RMB million</i> )	<b>1,289.1</b>	1,185.5	8.7%
Profit attributable to equity holders of the Company ( <i>RMB million</i> )	<b>855.1</b>	1,024.2	(16.5%)
Basic and diluted earnings per share ( <i>RMB cents</i> )	<b>14.0</b>	16.8	(16.7%)





## RESULTS

The consolidated revenue of the Group was approximately RMB11,641.9 million for 2018 (2017: approximately RMB10,071.4 million), representing an increase of 15.6% as compared to 2017. The consolidated profit for the year and profit attributable to equity holders of the Company were approximately RMB1,289.1 million and RMB855.1 million respectively for 2018 (2017: approximately RMB1,185.5 million and RMB1,024.2 million respectively), representing an increase of 8.7% and a decrease of 16.5% respectively as compared to 2017. The basic and diluted earnings per share were RMB14.0 cents for 2018 (2017: RMB16.8 cents per share), representing a decrease of 16.7% as compared to 2017.

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

## INDUSTRY REVIEW

According to the National Bureau of Statistics, the GFA sold in commodity house in the PRC increased by 1.3% to 1.72 billion square metres in 2018 while the corresponding transaction volume increased by 12.2% in 2018 to RMB15.0 trillion. Stringent regulations imposed in 2017 on the real estate market continued to curb the speculative investments.

Property market in some second tier cities such as Nanjing continued to grow in terms of GFA and transaction volume. In addition, the sales price and volume of properties for those third tier cities near Nanjing increased along with it.

## BUSINESS REVIEW

### Sales and Earnings

The revenue of the Group was approximately RMB11,641.9 million for 2018 (2017: approximately RMB10,071.4 million), representing an increase of 15.6% as compared to 2017. The increased in revenue in 2018 was mainly due to the increase in the GFA delivered from 1,029,065 sq.m. in 2017 to 1,248,065 sq.m. in 2018.

The gross profit of the Group was approximately RMB3,322.0 million for 2018, representing an increase of 37.4% as compared to 2017 (2017: approximately RMB2,418.2 million). The gross profit for 2018 increased primarily as a result of the revenue growth.





The profit for the year of the Group increased by 8.7% from approximately RMB1,185.5 million in 2017 to approximately RMB1,289.1 million in 2018. The increase was mainly due to more profit was generated from the increase in the revenue from approximately RMB10,071.4 million in 2017 to approximately RMB11,641.9 million in 2018.

The profit attributable to the equity holders of the Company was approximately RMB855.1 million for 2018, representing a decrease of approximately RMB169.1 million or approximately 16.5% from 2017 (2017: approximately RMB1,024.2 million). The decrease was mainly due to more profits was shared to the minority interests in Nanjing Rong Li and Nanjing Dream Garden.

The cost of sales of the Group was approximately RMB8,319.9 million for 2018, representing an increase of 8.7% as compared to 2017 (2017: approximately RMB7,653.2 million). Cost of sales increased in line with revenue.

The average cost of properties included in cost of sales of the Group was RMB6,262.3 per sq.m. for 2018, representing a decrease of 7.4% over 2017 (2017: average cost of properties included in cost of sales was RMB6,765.6 per sq.m.). The main reason was due to the lower land cost of Wujiang properties which were delivered in 2018.

The total GFA sold and delivered by the Group in 2018 was approximately 1,248,065 sq.m., representing an increase of 21.3% as compared to 2017 (2017: approximately 1,029,065 sq.m.). Such increase was due to more properties delivered in the newly completed projects in Wujiang and Zibo in 2018 which accounted for GFA of 369,178 sq.m.

During the year under review, the average sales price (“ASP”) of the Group’s delivered properties was RMB8,912.7 per sq.m., representing a decrease of 4.3% as compared to 2017 (2017: RMB9,308.2 per sq.m.). Such decrease was mainly due to more properties in Wujiang being delivered to buyers in 2018 which had lower ASP.



## Management Discussion and Analysis



The GFA of the properties delivered by the Group in 2018 and the ASP per sq.m. were as follows:

	Sales Revenue (RMB'000)		GFA Delivered (sq.m.)		ASP (RMB per sq.m.)	
	2018	2017	2018	2017	2018	2017
Nanjing Rong Li	<b>2,433,583.3</b>	1,488,378.6	<b>105,362.8</b>	88,591.2	<b>23,097.2</b>	16,800.5
Jinzhai Mingfa Shopping Mall	<b>1,668,529.8</b>	449,664.5	<b>325,519.1</b>	108,249.3	<b>5,125.8</b>	4,154.0
Nanjing Dream Garden	<b>1,608,024.8</b>	n/a	<b>112,316.6</b>	n/a	<b>14,316.9</b>	n/a
Zibo Mingfa World Trade Centre	<b>1,068,073.2</b>	n/a	<b>167,619.9</b>	n/a	<b>6,372.0</b>	n/a
Wujing Mingfa Jiangwan City	<b>1,005,192.3</b>	n/a	<b>201,557.7</b>	n/a	<b>4,987.1</b>	n/a
Nanjing Mingfa Yuejingyuan	<b>784,346.4</b>	n/a	<b>49,193.5</b>	n/a	<b>15,944.1</b>	n/a
Taizhou Mingfa City Complex	<b>530,463.2</b>	348,516.1	<b>85,299.2</b>	81,488.6	<b>6,218.9</b>	4,276.9
Tianjin Binhai Mingfa Shopping Mall	<b>431,216.3</b>	n/a	<b>48,548.9</b>	n/a	<b>8,882.1</b>	n/a
Nanjing Mingfa Xiang Hill Garden	<b>383,900.1</b>	1,984,257.2	<b>16,080.4</b>	122,871.8	<b>23,873.7</b>	16,149.0
Yangzhou Mingfa Jiangwan City	<b>161,425.8</b>	241,296.1	<b>26,611.1</b>	42,194.3	<b>6,066.1</b>	5,718.7
Nanjing Mingfa Cloud Mansion	<b>141,044.2</b>	839,292.5	<b>6,001.7</b>	49,181.7	<b>23,500.6</b>	17,065.1
Nanjing Mingfa Pearl Spring Resort	<b>116,849.1</b>	93,596.7	<b>5,050.9</b>	4,987.6	<b>23,134.5</b>	18,765.8
Nanjing Mingfa New City Finance Building	<b>112,380.7</b>	2,092,726.7	<b>6,205.4</b>	187,903.5	<b>18,110.2</b>	11,137.2
Quanzhou Mingfa International Huachang City	<b>103,271.4</b>	91,920.9	<b>20,260.4</b>	19,307.5	<b>5,097.2</b>	4,760.9
Shenzhen Mingfa Guangming Xuan	<b>92,959.1</b>	n/a	<b>2,906.1</b>	n/a	<b>31,988.1</b>	n/a
Zhenjiang Mingfa Jinxiu Yinshan	<b>72,671.6</b>	197,925.5	<b>15,051.8</b>	48,860.5	<b>4,828.1</b>	4,050.8
Wuxi Mingfa International New Town	<b>70,977.2</b>	354,086.1	<b>9,215.3</b>	59,340.1	<b>7,702.1</b>	5,967.1
Nanjing Mingfa Pearl River International	<b>68,985.2</b>	460,416.1	<b>2,130.9</b>	20,876.0	<b>32,374.5</b>	22,054.8
Changsha Mingfa Shopping Mall	<b>5,836.2</b>	389,775.7	<b>926.6</b>	82,200.1	<b>6,298.5</b>	4,741.8
Pingliang Mingfa European City	n/a	236,728.8	n/a	57,934.9	n/a	4,086.1
Zhangzhou Longhai Mingfa Mall	n/a	14,532.5	n/a	2,347.3	n/a	6,191.2
Nanjing Mingfa City Square	n/a	2,231.8	n/a	187.5	n/a	11,904.2
Others	<b>263,887.7</b>	293,388.4	<b>42,206.7</b>	52,542.8	<b>6,252.3</b>	5,583.8
<b>Total</b>	<b>11,123,617.6</b>	9,578,734.2	<b>1,248,065.0</b>	1,029,064.7	<b>8,912.7</b>	9,308.2





## CONTRACTED SALES

In the year under review, the Group recorded contracted sales of approximately RMB16,358.8 million with GFA of 1,786,192 sq.m. (2017: approximately RMB12,510.5 million with GFA of 1,606,730 sq.m.).

## PRE-SOLD PROPERTIES

As at 31 December 2018, the attributable GFA of pre-sold properties not yet delivered to the buyers was 2,685,253 sq.m. (2017: 2,400,123 sq.m.). Set out below are the details of the properties, the Group's interest and the attributable pre-sold GFA of the Group:

City	Property	Group's Interest	Attributable Pre-sold GFA (sq.m.)
Changsha	Changsha Mingfa Shopping Mall	100%	210,732
Chizhou	Taoyuan Mingzhu	100%	61,442
Chizhou	Taoyuan Xiangsong	100%	41,914
Dangtu	Taoyuan Xi'an	100%	35,148
Guang'an	Guang'an Mingfa Mall	100%	123,174
Guang'an	Guang'an Wealth Centre	100%	37,233
Hefei	Hefei Mingfa Shopping Mall	100%	19,946
Honglai	Honglai Mingfa Commercial Centre	100%	315
Huai'an	Huai'an Mingfa Shopping Mall	100%	15,701
Huizhou	Huizhou Mingfa Gaobang New City	80%	21,942
Jinzhai	Jinzhai Mingfa City Square	100%	238,365
Jinzhai	Jinzhai Mingfa Yueshanyuefu	100%	15,369
Laian	Mingfa North Station New Town	70%	81,281
Laian	Mingfa North Station Center	100%	24,302
Ma'anshan	Mingfa Mingbao Town	100%	107,671
Ma'anshan	Ma'anshan Hecheng Shoufu	100%	9,061
Nanjing	Nanjing Mingfa Riverside New Town	100%	4,436
Nanjing	Nanjing Mingfa City Square	100%	6,016
Nanjing	Nanjing Mingfa Yuejingyuan	100%	3,746
Nanjing	Nanjing Mingfa Pearl River International	100%	810
Nanjing	Nanjing Mingfa Cloud Mansion	40%	184
Nanjing	Nanjing Mingfa Shopping Mall	100%	30,547
Nanjing	Nanjing Rong Li	51%	28,218
Nanjing	Nanjing Mingfa Xianghill Garden	100%	3,358
Nanjing	Nanjing Mingfa New City Finance Building	100%	602
Nanjing	Nanjing Mingfa Wealth Centre	100%	129,265
Nanjing	Nanjing Mingfa Yueshanyuefu	100%	39,175
Nanjing	Nanjing Ming Hong Xin Yue City	40%	32,484
Pingliang	Pingliang Mingfa European City	60%	23,791
Quanjiao	Taoyuan New Town	100%	90,018
Quanjiao	Taoyuan Mansion	100%	28,361
Quanzhou	Quanzhou Mingfa Hua Chang City	100%	40,771
Shenyang	Shenyang Mingfa Jinxiuhwa City	100%	88,170
Shenyang	Shenyang Creative Industrial Estate	100%	23,744
Shenzhen	Shenzhen Mingfa Guangming Xuan	100%	679

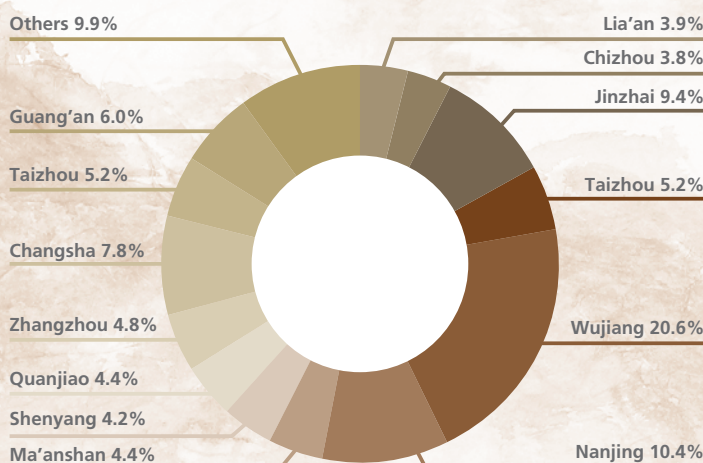


# Management Discussion and Analysis



City	Property	Group's Interest	Attributable Pre-sold GFA (sq.m.)
Sihong	Sihong 2017-A04	100%	77,198
Taizhou	Taizhou Mingfa City Complex	100%	139,014
Tianjin	Tianjin Binhai Mingfa Shopping Mall	100%	6,466
Wujiang	Wujiang Mingfa Jiangwan New City	100%	554,011
Wuxi	Wuxi Mingfa Shopping Mall	70%	2,561
Wuxi	Wuxi Mingfa International New Town	100%	14,485
Xiamen	Xiamen Mingfa Xiang Wan Peninsula	100%	2,079
Xiamen	Xiamen Mingfa Harbour Resort	100%	3,471
Xiamen	Xiamen Mingfa Shopping Mall	70%	15,982
Xiamen	Xiamen Mingfeng Town	100%	17,751
Yangzhou	Yangzhou Mingfa Shopping Mall	100%	7,047
Yangzhou	Yangzhou Mingfa Jiangwan City	100%	3,461
Zhangzhou	Zhangzhou Mingfa Shopping Mall	100%	2,822
Zhangzhou	Zhangzhou Longhai Mingfa Mall	100%	124,999
Zhengjiang	Zhengjiang Mingfa Xinjin Yuancheng	100%	1,386
Zhengjiang	Zhengjiang Jinxiu Yishan	100%	45,030
Zibo	Shandong Zibo World Trade Center	100%	49,519
<b>Total</b>			<b>2,685,253</b>

## Pre-sold Properties by City in terms of GFA



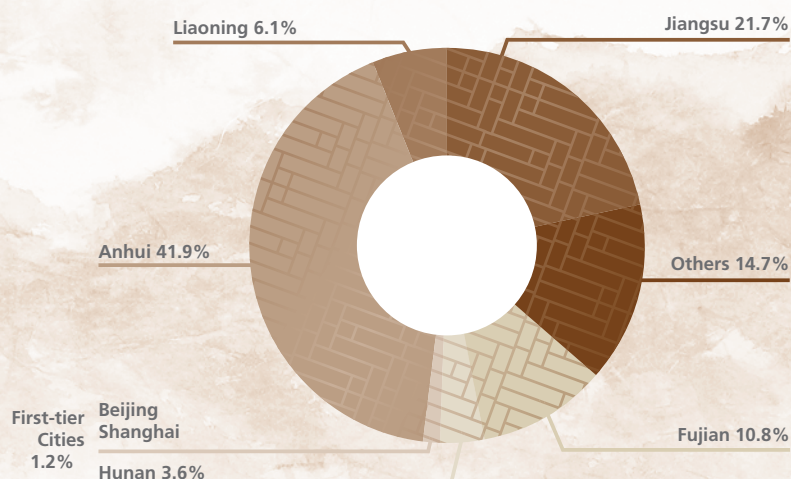


## SUMMARY OF LAND BANK

As at 31 December 2018, land bank attributable to the Group increased by 4.7% to approximately 22.4 million sq.m. (2017: approximately 21.4 million sq.m.), consisting of 116 projects (2017: 99 projects) in total.

	Number of Projects	Attributable GFA (million sq.m.)
Completed projects	32	2.6
Projects under development	54	14.1
Projects for future development	30	5.7
<b>Total</b>	<b>116</b>	<b>22.4</b>

## Total Land Bank by Province (as of 31 December 2018)



# Management Discussion and Analysis

The following tables summarize the details of the Group's land bank as at 31 December 2018:

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
<b>Completed property (held for sale/leasing) (Note 1)</b>								
Xiamen Mingfa Seascape Garden	Located at Qianpu South 2 Road, Siming District, Xiamen, Fujian Province	Dec/2004	Residential/ Commercial/Office	Completed	18,247	450	100%	450
Xiamen Mingfa Noble Place	Located at Jiangtu Residential, Huli District, Xiamen, Fujian Province	Dec/2004	Residential/ Commercial/Office	Completed	5,529	1,287	100%	1,287
Xiamen Mingfa Garden	Located at Huanhuli South, Iving Road, Siming District, Xiamen, Fujian Province	Apr/2005	Residential/Commercial	Completed	18,697	13,809	100%	13,809
Xiamen Jianqun Elegant Garden	Located at Qianpu Lianqian East Road North, Huli District, Xiamen, Fujian Province	Apr/2005	Residential/Office	Completed	10,257	1,418	100%	1,418
Xiamen Mingfa International New Town	Located at Qianpu Lianqian Road South, Siming District, Xiamen, Fujian Province	Feb/2002	Residential/ Commercial/Office	Completed	26,016	5,527	100%	5,527
Xiamen Mingfa Shopping Mall	Located to the northwest of Jiahe Road and Lianqian Road, Siming District, Xiamen, Fujian Province	Oct/2007	Commercial/Office/ Hotel	Completed	166,775	26,750	70%	18,725
Xiamen Mingfa Town	Located at Iving Road, Siming Industrial Park, Siming District, Xiamen, Fujian Province	Jan/2008	Residential/Commercial	Completed	12,879	14,930	100%	14,930
Nanjing Pearl Spring Resort	Located in Pearl Spring Resort, Pukou District, Nanjing, Jiangsu Province	Dec/2008	Residential/Hotel	Completed	112,973	5,201	100%	5,201
Nanjing Mingfa Riverside New Town	Located in Taishan Village, Pukou District, Nanjing, Jiangsu Province	Nov/2009	Residential/Commercial	Completed	1,072,182	67,084	100%	67,084
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai District, Nanjing, Jiangsu Province	Dec/2010	Commercial/Office/ Hotel	Completed	182,588	112,186	100%	112,186
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Dec/2011	Residential/ Commercial/Hotel	Completed	216,643	436,336	70%	305,435
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang District, Hefei, Anhui Province	Dec/2011	Residential/ Commercial/Office/ Hotel	Completed	176,698	188,337	100%	188,337
Yangzhou Mingfa Shopping Mall	Located at the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Dec/2011	Residential/ Commercial/Hotel	Completed	145,267	226,320	100%	226,320
Nanjing Mingfa City Square	Located on Dingshan Road, Pukou District, Nanjing, Jiangsu Province	Dec/2012	Residential/ Commercial/Office	Completed	128,683	70,138	100%	70,138
Honglai Mingfa Commercial Center	Located at Honglai District, Nanan, Fujian Province	Jun/2012	Residential/Commercial	Completed	27,065	11,726	100%	11,726
Xiamen Mingfa Xiang Wan Peninsula	Located at east part of Xiang'an Road, Xiang'an, Fujian Province	Dec/2012	Residential/Commercial	Completed	104,380	13,345	100%	13,345
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No. 6 Road West, Xinpu Road South, Zhangzhou, Fujian Province	Dec/2013	Residential/ Commercial/Office/ Hotel	Completed	223,589	238,023	100%	238,023
Xiamen Mingfa Harbor Resort	Located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli District, Xiamen, Fujian Province	Dec/2013	Hotel	Completed	58,952	136,972	100%	136,972
Huaian Mingfa Shopping Mall (Block C)	Located in Weihai East Road, Huaian, Jiangsu Province	Dec/2014	Residential	Completed	51,345	10,506	100%	10,506
Nanjing Mingfa Pearl River International (G11)	Located at Jiangpu Street, east to Xianzhuang Road, south to Jiangpu Secondary School, north to South River, west to Guihua Road, Pukou District, Jiangsu Province	Sep/2017	Residential	Completed	8,586	7,604	100%	7,604
Nanjing Mingfa New City Finance Building	Located in New Town Business Avenue North, Pukou District, Nanjing, Jiangsu Province	Dec/2017	Residential/Commercial	Completed	59,042	166,839	100%	166,839
Nanjing Mingfa Cloud Mansion	Located in along the mountain road South, Jiangpu Street, Nanjing, Jiangsu Province	Sep/2017	Residential	Completed	32,787	72,138	40%	28,855
Jinzhai Mingfa City Square	Located at New Town District, Meishan Town, Jinzhai County, Hefei, Anhui Province	Sep/2017	Residential/Commercial	Completed	105,504	222,243	100%	222,243
Jinzhai Mingfa City Square (Plot D)	Located at New City, Meishan Town, Jinzhai County, Hefei, Anhui Province	Dec/2017	Residential/Commercial	Completed	62,885	58,221	100%	58,221





# Management Discussion and Analysis

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
Wuxi Mingfa International	Located South of Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Jun/2017	Residential/Commercial	Completion certificate had been granted for GFA of 519,938 sq.m. in December 2017. The remaining GFA of 29,623 sq.m. will be completed in December 2019	258,297	117,933	100%	117,933
Jinzhai Mingfa City Square (Plot E, F)	Located at New City, Meishan Town, Jinzhai County, Hefei, Anhui Province	Jun/2018	Residential/Commercial	Completed	203,406	233,182	100%	233,182
Beijing Mingfa Mall	Located in Beizang Village, Daxing District, Beijing	Dec/2018	Residential/Commercial	Completed	45,414	112,640	100%	112,640
Nanjing Dream Garden	Located at Yuhutai Economic Development Zone, Nanjing, Jiangsu Province	Jul/2018	Residential	Completed	58,914	154,394	51%	21,460
Xiamen Mingfeng Town	Located at Lingdou Siming District, Xiamen, Fujian Province	Jul/2018	Commercial	Completed	19,190	120,595	100%	120,595
Zhenjiang Mingfa Xinjin Yuancheng	Located at east of the New Road, Danbei Town, Danyang City	Jan/2018	Residential/Commercial	Completed	14,287	13,304	100%	13,304
Shenzhen Mingfa Guangming Xuan	Located at Tianliao Yulv Area, Guangming New District, Shenzhen	Dec/2018	Commercial	Completed	4,109	12,320	100%	9,414
Nanjing Mingfa Yuejingyuan (G07)	Located at Pukou South along the mountain road, east side Nanjing University of Technology	Oct/2018	Commercial	Completed	31,455	40,754	100%	40,754
<b>Sub-total</b>					<b>3,662,637</b>	<b>2,912,512</b>		<b>2,594,463</b>

## Property under development (Note 2)

Zhenjiang Jinxiu Yinshan	Located in the Centre of Zhenjiang City, Jiangsu Province	Dec/2019	Residential/ Commercial/Hotel	Completion certificate had been granted for GFA of 246,245 sq.m. in December 2017. The remaining GFA of 158,433 sq.m. will be completed in December 2019.	296,702	195,029	100%	195,029
Huaian Mingfa Shopping Mall (Block A)	Located in Shenzhen South Road, Huaian, Jiangsu Province	Dec/2020	Commercial	Approximately 90% of construction has been completed	133,110	266,335	100%	266,335
Shenyang Mingfa Jinxiuhua City	Located in Shenbei Xinqiu Daoyi Development Zone, Liaoning Province	Dec/2019	Residential/Commercial	Completion certificate had been granted for GFA of 280,040 sq.m. in December 2014. The remaining GFA of 26,070 sq.m. will be completed in December 2019	61,222	175,275	100%	175,275
Yangzhou Mingfa Jiangwan City	Located at east of Xuzhuang road, north of Kaifa East road, west of Liaojiagou road, south of Ming Cheng road, Yangzhou, Jiangsu Province	Dec/2019	Residential/Commercial	Completion certificate had been granted for GFA of 196,412 sq.m. in December 2018. The remaining GFA of 25,120 sq.m. will be completed in December 2019	158,238	11,121	100%	11,121
Taizhou Mingfa International Mall (Phase 1)	Located in Gaogang District, Taizhou, Jiangsu Province	Dec/2020	Residential/Commercial	Completion certificate had been granted for GFA of 417,064 sq.m. in December 2015. The remaining GFA of 361,737 sq.m. will be completed in December 2020	292,487	401,777	100%	401,777
Taizhou Mingfa International Mall (Phase 2)	Located in Gaogang District, Taizhou, Jiangsu Province	Oct/2020	Residential/Industrial	Completion certificate had been granted for GFA of 143,995 sq.m. in December 2018. The remaining GFA of 163,859 sq.m. will be completed in October 2020	237,075	245,687	100%	245,687
Zhangzhou Longhai Mingfa Mall (2011G17, 2011G18 Phase 1)	Located in Bangshan Town, Kekeng Village, Longhai, zhangzhou, Fujian Province	Dec/2020	Residential/Commercial	Completion certificate had been granted for GFA of 39,734 sq.m. in December 2018. The remaining GFA of 244,449 sq.m. will be completed in December 2020	78,622	239,221	100%	239,221
Shanghai Mingfa Shopping Mall	Located in Hu Yi Highway East, Baiyin Road of South, Boundary of West, Gaotai Road North, Shanghai	Dec/2019	Commercial	Completion certificate had been granted for GFA of 39,459 sq.m. in December 2018. The remaining GFA of 121,079 sq.m. will be completed in December 2019	53,779	152,555	100%	152,555
Pingliang Mingfa European City	Located in Water Bridge West, Linjing Road North, Kongdong District, Pingliang, Gansu Province	Dec/2021	Residential	Approximately 75% of construction has been completed	117,594	122,163	60%	73,298



# Management Discussion and Analysis

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
Changsha Mingfa Shopping Mall	Located in Star Cheng Town, Wangcheng County, Changsha, Hunan Province	Dec/2021	Residential/Commercial	Completion certificate had been granted for GFA of 74,461 sq.m. in December 2018. The remaining GFA of 843,189 sq.m. will be completed in December 2021	285,594	798,588	100%	798,588
Huizhou Mingfa Gaobang New City	Huizhou City West Train Station, Huizhou, Guangdong Province	Dec/2020	Residential	Approximately 70% of construction has been completed	332,335	708,157	80%	566,526
Nanjing Mingfa Xiang Hill Garden	Located in along the Mountain road to the south, Caibei Road East, Pukou District, Nanjing, Jiangsu Province	Dec/2019	Residential	Completion certificate had been granted for GFA of 244,877 sq.m. in December 2018. The remaining GFA of 10,484 sq.m. will be completed in December 2019	115,876	116,409	100%	116,409
Tianjin Binhai Mingfa Shopping Mall	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Dec/2021	Commercial	Completion certificate had been granted for GFA of 68,620 sq.m. in December 2018. The remaining GFA of 349,476 sq.m. will be completed in December 2021	209,048	369,547	100%	369,547
Nanjing Mingfa Wealth Center	Located in NewCity Headquarters Avenue on the north side of 05 Plots, Pukou District, Nanjing, Jiangsu Province	Dec/2019	Commercial/Office	Approximately 40% of construction has been completed	56,694	283,470	100%	283,470
Nanjing Rong Li	Located at Jiangpu Street, Puzhu Road North, Directional River Road East, Pukou District, Nanjing, Jiangsu Province	Dec/2019	Residential	Completion certificate had been granted for GFA of 200,563 sq.m. in December 2018. The remaining GFA of 642,626 sq.m. will be completed in December 2019	132,937	31,415	51%	16,022
Wujiang Mingfa Jiangwan New City (Phase 1)	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Dec/2019	Residential/Commercial	Completion certificate had been granted for GFA of 269,628 sq.m. in December 2018. The remaining GFA of 440,275 sq.m. will be completed in December 2019	298,289	508,345	100%	508,345
Wujiang Mingfa Jiangwan New City (Phase 2)	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Dec/2021	Residential/Commercial	Approximately 55% of construction has been completed	489,567	1,395,484	100%	1,395,484
Quanzhou Mingfa International Huachang City	Located at Neicuo Village, Guanqiao Town, Nanan, Fujian Province	Dec/2021	Residential/Commercial	Approximately 50% of construction has been completed	276,120	747,653	100%	747,653
Guang'an Mingfa Mall (GC2013-45 Block)	Located in Bridge Group, Guan'an, Sichuan Province	Dec/2020	Residential/Commercial	Approximately 50% of construction has been completed	76,153	382,692	100%	382,692
Shandong Zibo World Trade Center	Located in People's Road to the north, Shanghai Road to the east, Zhangdian District, Zibo, Shandong Province	Dec/2021	Residential/Commercial	Completion certificate had been granted for GFA of 173,743 sq.m. in December 2018. The remaining GFA of 445,215 sq.m. will be completed in December 2021	147,371	451,338	100%	451,338
Shenyang Creative Industrial Estate	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec/2021	Residential/Commercial	Approximately 70% of construction has been completed	154,024	462,072	100%	462,072
Zhangzhou Longhai Mingfa Mall (2011G15 - 2012G15 Phase 2)	Located in Bangshan Town, Kekeng Village, Longhai, Zhangzhou, Fujian Province	Jun/2021	Residential	Approximately 50% of construction has been completed	63,127	189,381	100%	189,381
Zhongao Town Building	Located at south of Xiang'an District, Xiamen, Fujian Province	Dec/2019	Commercial	Approximately 50% of construction has been completed	11,870	98,104	51%	50,033
Jinzhai Mingfa City Square (Plot A & C)	Located at Jinzhai County Meishan Town New Town, Hefei, Anhui Province	Dec/2019	Residential/Commercial	Completion certificate had been granted for GFA of 67,864 sq.m. in December 2018. The remaining GFA of 372,411 sq.m. will be completed in December 2019	111,142	162,164	100%	162,164
Mingfa MingBo Town	Located at Bowang Town Bowang District, Ma'anshan, Anhui Province	Dec/2019	Residential/Commercial	Approximately 50% of construction has been completed	101,504	171,950	100%	171,950
New project in Nanjing Pukou G86	Pukou Jiangpu Street Angle at University Avenue and Flower Industry, Nanjing, Jiangsu Province	Dec/2019	Residential	Approximately 70% of construction has been completed	72,280	79,508	100%	79,508
Taoyuan New Town	Located at Xianghe Town, Quanjiao, Anhui Province	Mar/2020	Residential	Approximately 50% of construction has been completed	109,452	240,794	100%	240,794
New project in Nanjing Pukou G42	Located in along the Street High and New Technology Industrial Development Zone, Nanjing, Jiangsu Province.	Nov/2022	Commercial	Approximately 50% of construction has been completed	27,428	82,283	40%	32,913



# Management Discussion and Analysis

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
Taoyuan Mansion	Located at Xianghe Town, Quanjiao, Anhui Province	Mar/2020	Residential	Approximately 50% of construction has been completed	18,099	30,768	100%	30,768
Taoyuan Mingzhu	Located in Shengzhou Road, Chizhou, Anhui Province	Jun/2021	Residential	Approximately 50% of construction has been completed	99,943	159,909	100%	159,909
New project in Sihong 2017-A04	Located in Radish Li Road East, North of Sizhou Street, Sihong County, Suqian, Jiangsu Province	Mar/2020	Residential/Commercial	Approximately 40% of construction has been completed	84,200	193,660	100%	193,660
Jinse Shui'an	Located in north side of Huaihe Road, Jinhu County, Huanan, Jiangsu Province	Dec/2022	Residential/Commercial	Approximately 40% of construction has been completed	289,236	336,769	100%	336,769
Taoyuan Xi'an	Located in Gushi Town, Dangtu County, Anhui Province	Dec/2020	Residential/Commercial	Approximately 45% of construction has been completed	24,439	39,103	100%	39,103
Taoyuan Guandi	Located in south side of Taochang Road, Hanshan County, Anhui Province	Dec/2020	Residential	Approximately 45% of construction has been completed	43,868	74,576	100%	74,576
Wujiang Mingfa Jiangwan New City (Phase 3)	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Dec/2021	Residential/Commercial	Approximately 30% of construction has been completed	613,287	1,665,440	100%	1,665,440
New project in Nanjing Pukou G20	Located in Software Service Center High Tech Development Zone, Nanjing, Jiangsu Province	Dec/2021	Commercial	Approximately 30% of construction has been completed	62,015	446,246	80%	356,997
Taoyuan Xiangsong	Located in North New District, Dongzhi County, Chizhou, Anhui Province	Jun/2020	Residential/Commercial	Approximately 30% of construction has been completed	36,590	62,202	100%	62,202
Taoyuan Fudi	Located at Xianghe Town, Quanjiao, Anhui Province	Apr/2020	Residential	Approximately 30% of construction has been completed	66,262	189,320	70%	132,524
Taoyuan Guanlan	Located at Xianghe Town, Quanjiao, Anhui Province	Apr/2020	Residential	Approximately 30% of construction has been completed	55,481	118,889	70%	83,222
Mingfa North Station New Town	Located in west side of Changjiang Road, Chahe Town, Laian County	Jan/2020	Residential/Commercial	Approximately 30% of construction has been completed	65,335	163,337	70%	114,336
Guang'an Mingfa Wealth Centre (ChaMa Road B1-1 Block)	Located in Binjiang Road, Guang'an District, Guang'an, Sichuan Province	Dec/2021	Residential/Commercial	Approximately 30% of construction has been completed	76,363	305,452	100%	305,452
New project in Zhangpu 2017SG15	Located in Houcai Village, Qianting Town, Zhangpu County, Zhangzhou, Fujian Province	May/2022	Residential/Commercial	Approximately 30% of construction has been completed	46,885	204,457	100%	204,457
New project in Wuhu FT1714	Located in New City east of Chengdong, Fanchang County, Wuhu City, Anhui Province	May/2022	Residential	Approximately 30% of construction has been completed	64,607	129,214	100%	129,214
New project in Nanjing Pukou 2014GY04, 2016GY020	Located in the Channel of Science and Technology Industrial Park, Pukou District, Nanjing, Jiangsu Province	Feb/2021	Industrial	Approximately 30% of construction has been completed	119,564	95,652	100%	95,652
Mingfa North Station Center	Located at Chahe Town, Laian, Anhui Province	Jun/2021	Residential/Commercial	Approximately 50% of construction has been completed	69,757	132,699	100%	132,699
Mingfa North Station Villas	Located at Chahe Town, Laian, Anhui Province	Jun/2021	Residential	Approximately 50% of construction has been completed	66,350	383,664	100%	383,664
Hecheng Shoufu	Located at Liyang Town, Ma'anshan, Anhui Province	Jan/2021	Residential	Approximately 50% of construction has been completed	26,918	53,835	100%	53,835
Mingfa Huguangshanse Yihao	Located at Xiangquan Town Ma'anshan, Anhui Province	May/2020	Residential/Commercial	Approximately 30% of construction has been completed	68,688	82,426	100%	82,426
	Located at Xiangquan Town Ma'anshan, Anhui Province	May/2020	Residential/Commercial	Approximately 30% of construction has been completed	63,674	76,409	100%	76,409
New project in Nanjing Liuhe 2017G68	Located in Jinniu Lake Street, Liuhe District, Nanjing, Jiangsu Province	Oct/2020	Residential	Approximately 30% of construction has been completed	34,330	68,661	51%	35,017
New project in Jinzhai (Plot 40, 41)	Located at Jinzhai County Meishan Town New Town, Hefei, Anhui Province	Jun/2021	Residential/Commercial	Approximately 30% of construction has been completed	133,332	252,883	100%	252,883
New project in Nanjing Pukou G01	Located in Xinghuo Road Bus station, Jiangbei New District, Nanjing, Jiangsu Province	Nov/2022	Commercial/Office	Approximately 20% of construction has been completed	7,025	21,145	40%	8,458
New project in Nanjing Pukou G22	Located in Puzhu Road, Jiangpu Street, Pukou District, Nanjing, Jiangsu Province	Dec/2020	Commercial	Vacant	26,530	66,325	100%	66,325
New project in Nanjing Pukou G30	Located at Pukou north of Nanjing University of Technology, south along the mountain road	Jun/2020	Commercial	Vacant	32,843	59,117	100%	59,117
Taohua Yuanzhu (Phase 2)	Located at Xingyuan Road Zibo, Shandong Province	Oct/2022	Residential	Vacant	75,474	135,853	100%	135,853
<b>Sub-total</b>					<b>6,870,734</b>	<b>14,636,527</b>		<b>14,056,153</b>



# Management Discussion and Analysis

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
<b>Property with land use rights certificate for future development (Note 3)</b>								
Nanjing Mingfa Furniture City	Located in Huangyao Village, Taishan Street, Pukou District, Nanjing, Jiangsu Province	Jun/2021	Industrial	Vacant	41,434	103,585	100%	103,585
Lanzhou Mingfa Zhongke Ecological park	Located in Weijia Village of Southwest, Gansu Province	Dec/2021	Residential	Vacant	1,371,786	1,371,786	51%	699,611
Taiwan Taoyuan 54 Block	Located in Air Passenger Park, Taoyuan, Taiwan	Jun/2021	Commercial	Vacant	13,710	32,905	100%	32,905
Taiwan Taoyuan 169 Block	Located in Air Passenger Park, Taoyuan, Taiwan	Jun/2021	Commercial	Vacant	16,110	38,663	100%	38,663
Shenyang Mingfa Wealth Center	Located at Young Street, Heping District, Shenyang, Liaoning Province	Dec/2021	Commercial	Vacant	5,468	54,677	100%	54,677
Shenyang Mingfa Square	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Jun/2021	Residential/Commercial	Vacant	119,154	238,308	100%	238,308
Shenyang Mingfa Comprehensive Technology Park	Located at Zaohua Street, Yuhong District, Shenyang, Liaoning Province	Dec/2021	Residential	Vacant	235,526	423,948	100%	423,948
New project in Lianyungang 2017G04	Located in east side of Silver Beach Road, Qingkou Town, Lianyungang, Jiangsu Province	Apr/2021	Residential	Vacant	50,458	75,687	100%	75,687
New project in Maanshan Mingkun	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Apr/2021	Residential	Vacant	222,285	603,154	100%	603,154
New project in Maanshan MingPu	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Apr/2021	Industrial	Vacant	31,258	46,888	100%	46,888
New project in Maanshan Mingshu	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Apr/2021	Residential	Vacant	179,980	539,941	100%	539,941
New project in Maanshan Mingnan	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Apr/2021	Residential/Commercial	Vacant	114,945	336,206	100%	336,206
New project in Maanshan Mingzhao	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Apr/2021	Residential	Vacant	71,080	213,241	100%	213,241
New project in Maanshan MingLin	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Apr/2021	Residential/ Commercial/ Industrial	Vacant	169,934	328,534	100%	328,534
New project in Maanshan Mingzhang	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Apr/2021	Residential	Vacant	22,491	78,719	100%	78,719
Siyang Mingfa Shoufu2013E1 Plot	Located at Zhongxing Town Siyang, Suqian, Jiangsu Province	Dec/2021	Residential/Commercial	Vacant	64,173	320,865	70%	224,606
Siyang Mingfa Shoufu2013E2 Plot	Located at Zhongxing Town Siyang, Suqian, Jiangsu Province	Dec/2021	Residential/Commercial	Vacant	39,799	198,995	70%	139,297
Taohua Yuanzhu (Phase 2)	Located at Xingyuan Road Zibo, Shandong Province	Oct/2022	Residential	Vacant	81,217	146,191	100%	146,191
Mingfa internet industrial park (Phase 1)	Located at Xingyuan Road Zibo, Shandong Province	Oct/2022	Commercial	Vacant	32,415	48,623	100%	48,623
Mingfa internet industrial park (Phase 2)	Located at Xingyuan Road Zibo, Shandong Province	Oct/2022	Commercial	Vacant	34,741	52,112	100%	52,112
New project in Jurong 2018-J2-1-15 Plot	Located at the east side of Ninghang North Road and the west side of Chigang Road Jurong, Jiangsu Province	Aug/2022	Residential/Commercial	Vacant	53,892	296,406	100%	296,406
Mingfa Huguangshanse Erhao	Located at Xiangquan Town Ma'anshan, Anhui Province	May/2021	Residential	Vacant	108,972	108,972	100%	108,972
New project in Jurong 2017-2-1-08	Located in Huanhu Road, Jurong, Jiangsu Province	Apr/2021	Commercial	Vacant	9,265	13,898	49%	6,810
New project in Jurong 2017-2-1-15	Located in Baohua Town, Jurong, Jiangsu Province	Apr/2021	Residential	Vacant	8,378	20,945	51%	10,682
<b>Sub-total</b>					<b>3,098,473</b>	<b>5,693,248</b>		<b>4,847,763</b>



# Management Discussion and Analysis

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (Sq.m.) (Note 3)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
<b>Property with signed land use rights contract for future development (Note 4)</b>								
Hong Six highway rebuilding project	Located at Xixia Village, Honglai Town, Nanan, Fujian Province	Dec/2022	Residential/Commercial	Vacant	22,784	92,298	100%	92,298
Zhangzhou Longhai Mingfa Mall (Phase 3)	Located in Bangshan Town, Kekeng Village, Longhai, Zhangzhou, Fujian Province	Dec/2022	Residential	Vacant	105,188	315,564	100%	315,564
Mingfa City Lights JZZB-GT-2018-37	Located in Jinzhai Modern Industrial Park, Anhui Province	Mar/2021	Residential/Commercial	Vacant	43,995	131,986	100%	131,986
Mingfa City Lights JZZB-GT-2018-38	Located in Jinzhai Modern Industrial Park, Anhui Province	Mar/2021	Residential	Vacant	63,421	139,527	100%	139,527
Kangyang Town	Located in Jiangjun Road, Jinzhai, Anhui Province	Sep/2021	Residential/Commercial	Vacant	64,539	103,263	100%	103,263
New project in Jinniuhu TP201813-3	Located in east of Changxing Road and north of Nameless Road, Jinniu Lake New City, Tianchang, Anhui Province	Oct/2021	Residential/Commercial	Vacant	48,073	96,145	100%	96,145
<b>Sub-total</b>					<b>348,000</b>	<b>878,782</b>		<b>878,782</b>
<b>Total Land Bank</b>					<b>13,979,844</b>	<b>24,121,070</b>		<b>22,377,162</b>

## Notes:

1. Completed properties refer to the properties in respect of which (a) the certificates of completion, (b) the permits for commencement of construction works, and (c) the land use rights certificates had been obtained as at 31 December 2018.
2. Properties under development refer to the properties in respect of which (a) the permits for commencement of construction works and (b) the land use rights certificates had been obtained as at 31 December 2018.
3. The site area is in respect of the whole property (regardless of GFA that have been sold).
4. The approximate leasable and saleable GFA and attributable GFA have excluded the GFA that have been sold/leased.



# Management Discussion and Analysis

## SUMMARY OF PROPERTIES HELD BY THE GROUP FOR INVESTMENT

The following table summarizes the details of the Group's major properties held for investment as at 31 December 2018:

Property Name	Location	Existing usage	Attributable GFA (sq.m.)	Term of Leases with Tenants	Percentage of Interest in the Properties Attributable to the Group
Xiamen Mingfa Shopping Mall	Located to the northwest of Jiahe Road and Lianqian Road, Siming district, Xiamen, Fujian Province.	Commercial	112,945	8–20 years	70%–100%
Xiamen Mingfa Group Mansion	Located at Qianpu Industrial Park, Xiamen, Fujian Province.	Commercial	1,123	5–6 years	100%
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province.	Commercial	135,436	10–15 years	100%
Xiamen Mingfa Technology Park	Located in Kaiyuan Xing'an Industrial Park, Tong'an district, Xiamen, Fujian Province.	Industrial	62,131	18 years	100%
Nanjing Mingfa Riverside New Town	Located in Taishan village, Pukou district, Nanjing, Jiangsu Province.	Commercial	44,349	3–9 years	100%
Xiamen Mingfa Hotel	Located at No. 413 Lianqian East Road, Xiamen, Fujian Province	Hotel	10,925	10 years	100%
Xiamen Mingfa Industrial Park	Located at No. 2 Honglian Road West, Siming District, Xiamen, Fujian Province.	Industrial	11,588	8–15 years	100%
Xiamen Lianfeng Furniture Park	Located on Honglian Road, Siming district, Xiamen, Fujian Province	Industrial	26,120	20 years	100%
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No.6 Road West, Xinqu Road South, Zhangzhou, Fujian Province	Commercial	112,416	12–19 years	100%
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao town, Huishan district, Wuxi, Jiangsu Province	Commercial	6,695	15–20years	70%
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang district, Hefei, Anhui Province	Commercial	154,052	15–20 years	100%
Quanzhou Mingfa Hotel	Located in Licheng District, Jiangnan Torch Village, Quanzhou, Fujian Province	Hotel	4,755	5 years	100%
Yangzhou Mingfa Shopping Mall	Located at the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Commercial	55,883	15 years	100%
Tianjin Mingfa City Complex	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Commercial	62,631	Under construction	100%
Changsha Mingfa Shopping Mall	Located in Star Cheng Town, Wangcheng County, Changsha, Hunan Province.	Commercial	70,742	Under construction	100%
Xiamen Mingfa Harbour Resort	Located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli District, Xiamen, Fujian Province	Commercial	46,782	3 years	100%
Wuxi Mingfa International New Town	Located at south of Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Commercial	1,004	3 years	100%
Zhenjiang Jinxiu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Commercial	2,859	15.5 years	100%
Beijing Mingfa Mall	Located at Bizang Village, Daxing District, Beijing.	Residential/ Commercial	60,937	3–10 years	100%
Jinzhai Mingfa City Square (Plot G)	Located at New Town District, Meishan Town, Jinzhai County, Hefei, Anhui Province	Commercial	53,281	2–15 years	100%
Taizhou Mingfa International Mall	Located in Gaogang District, Taizhou, Jiangsu Province	Commercial	6,355	10 years	100%
<b>Total</b>			<b>1,043,009</b>		



### PROGRESS OF DEVELOPMENT ON MAJOR PROJECTS

The progress and current status of the development of the Group's major projects in various sites and locations are as follows:

#### Zhenjiang Jinxiu Yinshan

Zhenjiang Jinxiu Yinshan is located in the centre of Zhenjiang City, Jiangsu Province, near the New Administration Centre of Zhenjiang and adjacent to the local government's new administrative centre.

Zhenjiang Jinxiu Yinshan is designed to be an integrated residential, commercial and hotel complex comprising residential buildings, townhouse units, hotels and other ancillary facilities, complemented with retail shops, restaurants and themed pedestrian-only walkways. This project is adjacent to Yinshan Park, local sports facilities, commercial streets and other large residential districts nearby. Total GFA of this project is approximately 404,678 sq.m..

As at 31 December 2018, completion certificate had been granted for GFA of 246,745 sq.m..

As at 31 December 2018, an aggregate GFA of 45,030 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2019.

#### Huai'an Mingfa Shopping Mall (Block A)

Huai'an Mingfa Shopping Mall is located on Shenzhen South Road, Huai'an, Jiangsu Province.

Huai'an Mingfa Shopping Mall is designed to be a commercial complex and will form an integral part of the Group's shopping mall.

The site area of the project is approximately 133,110 sq.m., with an aggregate GFA of approximately 266,335 sq.m.. The project is expected to be completed in December 2020.

#### Shenyang Mingfa Jinxiuhua City

Shenyang Mingfa Jinxiuhua City is located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province. Shenyang Mingfa Jinxiuhua City is designed as an integrated residential complex complemented with commercial properties.

The site area of the project is approximately 61,222 sq.m., with an aggregate GFA of approximately 306,110 sq.m.. As at 31 December 2018, completion certificate had been granted for 280,040 sq.m..

As at 31 December 2018, completion certificate has been granted for GFA of 280,040 sq.m..

As at 31 December 2018, an aggregate GFA of 88,170 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2019.

#### Yangzhou Mingfa Jiangwan City

Yangzhou Mingfa Jiangwan City is located at east of Xuzhuang Road, north of Kaifa East Road, west of Liaojiagou Road, south of Ming Cheng Road, Yangzhou, Jiangsu Province.

Yangzhou Mingfa Jiangwan City is designed as an integrated residential complex complemented with commercial properties.



## Management Discussion and Analysis

The site area of the project is approximately 158,238 sq.m., with an aggregate GFA of approximately 221,533 sq.m.. As at 31 December 2018, completion certificate had been granted for 196,412 sq.m..

As at 31 December 2018, an aggregate GFA of 3,461 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2019.

### **Taizhou Mingfa International Mall (Phase 1 and 2)**

Taizhou Mingfa International Mall is located at west of Machang Zhonggou and south of Huangang Avenue, Gaogang district, Taizhou, Jiangsu Province.

Taizhou Mingfa International Mall is designed as an integrated residential and commercial properties complex. The site area of the project is approximately 529,562 sq.m. with an aggregate attributable GFA of approximately 1,053,450 sq.m..

As at 31 December 2018, completion certificate had been granted for GFA of 561,059 sq.m..

As at 31 December 2018, an aggregate GFA of 139,014 sq.m. had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2020.

### **Zhangzhou Longhai Mingfa Mall (Phase 1 and 2)**

Zhangzhou Longhai Mingfa Mall is located in Kekeng Village, Bangshan Town, Longhai, Zhangzhou, Fujian Province.

Zhangzhou Longhai Mingfa Mall is designed as an integrated residential and commercial properties complex. The site area of the project is approximately 141,811 sq.m. with an aggregate attributable GFA of approximately 467,143 sq.m..

As at 31 December 2018, completion certificate had been granted for GFA of 39,734 sq.m..

As at 31 December 2018, an aggregate GFA of 124,999 sq.m. in Phase 1 had been pre-sold but not yet delivered and such pre-sold units will be delivered to the buyers upon completion in December 2020. Phase 2 is expected to be completed in June 2021.

### **Shanghai Mingfa Shopping Mall**

Shanghai Mingfa Shopping Mall is located at east of Hu Yi Highway, south of Baiyin Road, west boundary of Gaotai North Road, Shanghai.

This project is designed as integrated commercial complex.

The site area of the project is approximately 53,779 sq.m., with an aggregate GFA of approximately 169,305 sq.m.. The project is expected to be completed in December 2019.

As at 31 December 2018, completion certificate had been granted for GFA of 39,459 sq.m.. The project is expected to be completed in December 2019.

### **Pingliang Mingfa European City**

Pingliang Mingfa European City is located at the west of Water Bridge, north of Linjing Road, Kongdong District, Pingliang, Gansu Province.





## Management Discussion and Analysis

This project is designed as integrated residential complex.

The site area of the project is approximately 117,594 sq.m. with an aggregate GFA of approximately 268,259 sq.m..

As at 31 December 2018, an aggregated GFA of 23,791 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2021.

### **Changsha Mingfa Shopping Mall**

Changsha Mingfa Shopping Mall is located in Star Cheng Town, Wangcheng County, Changsha, Hunan Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 285,594 sq.m. with an aggregate GFA of approximately 928,837 sq.m..

As at 31 December 2018, completion certificate had been granted for GFA of 74,461 sq.m..

As at 31 December 2018, an aggregate GFA of 210,732 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2021.

### **Huizhou Mingfa Gaobang New City**

Huizhou Mingfa Gaobang New City is located in at Huizhou City West Train Station, Huizhou, Guangdong Province. This project is designed as integrated residential and complex.

The site area of the project is approximately 332,335 sq.m. with an aggregate GFA of approximately 708,157 sq.m..

As at 31 December 2018, an aggregate GFA of 27,428 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2020.

### **Nanjing Mingfa Xiang Hill Garden**

Nanjing Mingfa Xiang Hill Garden is located at Mountain Road to the south, Caibei Road East, Pukou District, Nanjing, Jiangpu Province. This project is designed as integrated residential complex.

The site area of the project is approximately 115,876 sq.m. with an aggregate GFA of approximately 255,361 sq.m..

As at 31 December 2018, completion certificate had been granted for GFA of 244,877 sq.m..

As at 31 December 2018, an aggregate GFA of 3,358 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2019.

### **Tianjin Binhai Mingfa Shopping Mall**

Tianjin Binhai Mingfa Shopping Mall is located at Tanggu Marine Hi-Tech Development Zone, Tianjin. This project is designed as integrated commercial complex.

The site area of the project is approximately 209,048 sq.m. with an aggregate GFA of approximately 418,096 sq.m..

As at 31 December 2018, completion certificate had been granted for GFA of 68,620 sq.m..

As at 31 December 2018, an aggregate GFA of 6,466 sq.m. had been pre-sold but not yet delivered and such properties will be delivered to the buyers upon completion in December 2021.



## Management Discussion and Analysis

### **Nanjing Mingfa Wealth Center**

Nanjing Mingfa Wealth Center is located at New City Headquarters Avenue on the north side of 05 plots, Pukou District, Nanjing, Jiangsu Province. This project is designed as integrated commercial and office complex.

The site area of the project is approximately 56,694 sq.m. with an aggregate GFA of approximately 283,470 sq.m..

As at 31 December 2018, an aggregate GFA of 129,265 sq.m. had been pre-sold but not yet delivered and such properties will be delivered to the buyers upon completion in December 2019.

### **Nanjing Rong Li**

Nanjing Rong Li is located at Jiangpu Street, Puzhu Road North, Directional River Road East, Pukou District, Nanjing, Jiangsu Province. This project is designed as integrated residential complex.

The site area of the project is approximately 132,937 sq.m. with an aggregate GFA of approximately 255,552 sq.m..

As at 31 December 2018, completion certificate had been granted for GFA of 200,563 sq.m..

As at 31 December 2018, an aggregate GFA of 55,329 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2019.

### **Wujiang Mingfa Jiangwan New City (Phase 1, 2 and 3)**

Wujiang Mingfa Jiangwan New City is located at Wujiang Town Four Lian, Hexian, Anhui Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 1,401,143 sq.m. with an aggregate GFA of approximately 3,770,827 sq.m. Phase 1 and 2 are expected to be completed in December 2020 while Phase 3 is expected to be completed in December 2018.

As at 31 December 2018, completion certificate had been granted for GFA of 269,628 sq.m..

As at 31 December 2018, an aggregate GFA of 554,011 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion from December 2021.

### **Quanzhou Mingfa International Huachang City**

Quanzhou Mingfa International Huachang City is located at Neicuo Village, Guanqiao Town, Nanan, Fujian Province. This project is designed as integrated residential complex.

The site area of the project is approximately 276,120 sq.m. with an aggregate GFA of approximately 787,220 sq.m..

As at 31 December 2018, an aggregate GFA of 40,771 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2021.

### **Guang'an Mingfa Mall**

Guang'an Mingfa Mall is located at Bridge Group, Guan'an, Sichuan Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 76,153 sq.m. with an aggregate GFA of approximately 382,692 sq.m..



## Management Discussion and Analysis

As at 31 December 2018, an aggregate GFA of 123,174 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2020.

### **Shandong Zibo World Trade Center**

Shandong Zibo World Trade Center is located at People's Road to the north, Shanghai Road to the east, Zhangdian District, Zibo, Shandong Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 147,371 sq.m. with an aggregate GFA of approximately 618,958 sq.m..

As at 31 December 2018, completion certificate had been granted for GFA of 173,743 sq.m..

As at 31 December 2018, an aggregate GFA of 49,519 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2021.

### **Shenyang Creative Industrial Estate**

Shenyang Creative Industrial Estate is located at Shenbei Xinqu Daoyi Development Zone, Liaoning Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 154,024 sq.m. with an aggregate GFA of approximately 462,072 sq.m.. The project is expected to be completed in December 2020.

As at 31 December 2018, an aggregate GFA of 23,744 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2021.

### **Zhonggao Town Building**

Zhonggao Town Building is located at South of Xiang'an District, Xiamen, Fujian Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 11,870 sq.m. with an aggregate GFA of approximately 98,104 sq.m. The project is expected to be completed in December 2019.

### **Jinzhai Mingfa City Square (Plot A & C)**

Jinzhai Mingfa Shopping Mall is located at Jinzhai County Meishan Town New Town, Hefei, Anhui Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 111,142 sq.m. with an aggregate GFA of approximately 162,164 sq.m.. Plot E and F is expected to be completed in December 2019.

As at 31 December 2018, completion certificate had been granted for GFA of 67,864 sq.m..

### **Mingfa Mingbo Town**

Mingfa Mingbo Town is located at Bowang Town, Bowang District, Maanshan, Anhui Province. This project is designed as integrated residential and commercial complex.

The site area of the project is approximately 101,504 sq.m. with an aggregate GFA of approximately 171,950 sq.m. Plot E and F is expected to be completed in December 2019.



## Management Discussion and Analysis

As at 31 December 2018, an aggregate GFA of 107,671 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2019.

### **New Project in Nanjing Pukou G86**

The project is located at Pukou Jiangpu Street, Angle at University Avenue and Flower Industry, Nanjing, Jiangsu Province. The project is designed as integrated residential complex.

The site area of the project is approximately 72,280 sq.m. with an aggregated GFA of approximately 79,508 sq.m.. The project is expected to be completed in December 2019.

### **Taoyuan New Town**

Taoyuan New Town is located at Xianghe Town, Quanjiao, Anhui Province. This project is designed as residential complex.

The site area of the project is approximately 109,452 sq.m. with an aggregate GFA of approximately 240,794 sq.m.

As at 31 December 2018, an aggregate GFA of 90,018 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in March 2020.

### **Nanjing Minghong Xing Yue City**

Nanjing Minghong Xing Yue City is located at along the street High and New technology Industrial Development Zone, Nanjing, Jiangsu Province. The project is designed as commercial complex.

The site area of the project is approximately 27,428 sq.m. with an aggregate GFA of approximately 82,283 sq.m..

As at 31 December 2018, an aggregate GFA of 81,210 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in November 2022.

### **Taoyuan Mansion**

Taoyuan Mansion is located at Xianghe Town, Quanjiao, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 18,099 sq.m. with an aggregate GFA of approximately 30,768 sq.m..

As at 31 December 2018, an aggregate GFA of 28,361 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in March 2020.

### **Taoyuan Mingzhu**

Taoyuan Mingzhu is located at Shengzhouhu Road, Chizhou, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 99,943 sq.m. with an aggregate GFA of approximately 159,909 sq.m..

As at 31 December 2018, an aggregate GFA of 61,442 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in June 2021.



## Management Discussion and Analysis

### **New project in Sihong**

The project is located at Radish Li Road East, north of Sizhou Street, Sihong County, Suqian, Jiangsu Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 84,200 sq.m. with an aggregate GFA of approximately 193,660 sq.m..

As at 31 December 2018, an aggregate GFA of 77,198 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in March 2020.

### **Mingfa Jinse Shuian**

Mingfa Jinse Shuian is located at north side of Huaihe Road, Jinhu County, Huanan, Jiangsu Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 289,236 sq.m. with an aggregate GFA of approximately 336,769 sq.m..

The project is expected to be completed in November 2022.

### **Taoyuan Xi'an**

Taoyuan Xi'an is located at Gushi Town, Dangtu County, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 24,439 sq.m. with an aggregate GFA of approximately 39,103 sq.m..

As at 31 December 2018, an aggregate GFA of 35,148 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in December 2020.

### **Taoyuan Guandi**

Taoyuan Guandi is located at south side of Taochang Road, Hanshan County, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 43,868 sq.m. with an aggregate GFA of approximately 74,576 sq.m.. The project is expected to be completed in December 2020.

### **New project in Pukou Nanjing (G20)**

The project is located at Software Service Center High Tech Development Zone, Nanjing, Jiangsu Province. The project is designed as commercial complex.

The site area of the project is approximately 62,105 sq.m. with an aggregate GFA of approximately 446,246 sq.m.. The project is expected to be completed in December 2021.

### **Taoyuan Xiangsong**

Taoyuan Xiangsong is located at North New District, Dongzhi County, Chizhou, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 36,590 sq.m. with an aggregate GFA of approximately 62,202 sq.m.. The project is expected to be completed in June 2020.



# Management Discussion and Analysis

## **Taoyuan Fudi**

Taoyuan Fudi is located at Xianghe Town, Quanjiao, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 66,262 sq.m. with an aggregate GFA of approximately 189,320 sq.m.. The project is expected to be completed in April 2020.

## **Taoyuan Guanlan**

Taoyuan Guanlan is located at Xianghe Town, Quanjiao, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 55,481 sq.m. with an aggregate GFA of approximately 118,889 sq.m.. The project is expected to be completed in April 2020.

## **Mingfa North Station New Town**

Mingfa North Station New Town is located at west side of Changjiang Road, Chahe Town, Laian County, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 65,335 sq.m. with an aggregate GFA of approximately 163,337 sq.m..

As at 31 December 2018, an aggregate GFA of 116,116 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in January 2020.

## **Guang'an Mingfa Wealth Centre (ChaMa Road B1-1 Block)**

The project is located at Located in Binjiang Road, Guang'an District, Guan'an, Sichuan Province. The project is designed as integrated residential and commercial complex.

The site area of the project is approximately 76,363 sq.m. with an aggregated GFA of approximately 305,452sq.m..

As at 31 December 2018, an aggregate GFA of 37,233 sq.m. had been pre-sold but not delivered and such pre-sold properties will be delivered to the buyer upon completion in December 2021.

## **New project in Zhangpu 2017SG15**

The project is located at Houcai Village, Qianting Town, Zhangpu County, Zhangzhou, Fujian Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 46,885 sq.m. with an aggregate GFA of approximately 204,457 sq.m.. The project is expected to be completed in May 2022.

## **New project in Wuhu FT1714**

The project is located at New City east of Chengdong, Fanchang County, Wuhu City, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 64,607 sq.m. with an aggregate GFA of approximately 129,214 sq.m.. The project is expected to be completed in May 2022.

## **New project in Nanjing Pukou 2014GY04 & 2016GY020**

The project is located at the Channel of Science and Technology Industrial Park, Pukou District, Nanjing, Jiangsu Province. The project is designed as industrial complex.



## Management Discussion and Analysis

The site area of the project is approximately 119,564 sq.m. with an aggregate GFA of approximately 95,652 sq.m.. The project is expected to be completed in February 2021.

### **Mingfa North Station Centre**

The project is located at Chahe Town, Laian, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 69,757 sq.m. with an aggregate GFA of approximately 132,699 sq.m.. The project is expected to be completed in June 2021.

As at 31 December 2018, an aggregate GFA of 24,302 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in June 2021.

### **Mingfa North Station Villas**

The project is located at Chahe Town, Laian, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 66,350 sq.m. with an aggregate GFA of approximately 383,664 sq.m.. The project is expected to be completed in June 2021.

### **Hecheng Shoufu**

The project is located at Liyang Town, Maanshan, Anhui Province. The project is designed as residential complex.

The site area of the project is approximately 26,918 sq.m. with an aggregate GFA of approximately 53,835 sq.m.. The project is expected to be completed in January 2021.

As at 31 December 2018, an aggregate GFA of 9,061 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in January 2021.

### **Mingfa Huguangshanse Yihao**

The project is located at Xiangquan Town, Maanshan, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 132,362 sq.m. with an aggregate GFA of approximately 158,835 sq.m.. The project is expected to be completed in May 2020.

### **New project in Nanjing Liuhe 2017G68**

The project is located at Jinniu Lake Street, Liuhe District, Nanjing, Jiangsu Province. The project is designed as residential complex.

The site area of the project is approximately 34,330 sq.m. with an aggregate GFA of approximately 68,661 sq.m.. The project is expected to be completed in October 2020.

### **New project in Jinzhai (40&41)**

The project is located at Jinzhai County, Meishan Town New Town, Hefei, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 133,332 sq.m. with an aggregate GFA of approximately 252,883 sq.m.. The project is expected to be completed in June 2021.



## Management Discussion and Analysis

### New project in Nanjing Pukou G01

The project is located at Xinghuo Road Bus Station, Jiangbei New City, Nanjing, Jiangsu Province. The project is designed as commercial and office complex.

The site area of the project is approximately 7,025 sq.m. with an aggregate GFA of approximately 21,145 sq.m.. The project is expected to be completed in November 2022.

### New project in Nanjing Pukou G22

The project is located at Puzhu Road, Jiangpu Street, Pukou District, Nanjing, Jiangsu Province. The project is designed as commercial complex.

The site area of the project is approximately 26,530 sq.m. with an aggregate GFA of approximately 66,325 sq.m.. The project is expected to be completed in December 2020.

### New project in Nanjing Pukou G30

The project is located at Pukou, north of Nanjing University of Technology, south along the mountain road, Nanjing, Jiangsu Province. The project is designed as commercial complex.

The site area of the project is approximately 32,843 sq.m. with an aggregate GFA of approximately 59,117 sq.m.. The project is expected to be completed in June 2020.

### Taohua Yuanzhu

The project is located at Xingyuan Road, Zibo, Shangdong Province. The project is designed as residential complex.

The site area of the project is approximately 75,474 sq.m. with an aggregate GFA of approximately 135,853 sq.m.. The project is expected to be completed in October 2022.

### Properties to be Completed in 2019

Set out below are the properties expected to be completed by the Group in 2019. The total GFA for such properties available for sale/leasing by the Group upon completion will be approximately 965,055 sq.m. including those already pre-sold as at 31 December 2018.

Property	Expected Completion Date	Usage	GFA Available for Sales/ Leasing (sq.m.)	Percentage of interest in the property attributable to the Group
Zhenjiang Jinxiu Yinshan	Dec/2019	Residential/Commercial	158,433	100%
Shenyang Mingfa Jinxiu Hua City	Dec/2019	Residential/Commercial	26,070	100%
Yangzhou Mingfa Jiangwan City	Dec/2019	Residential/Commercial	25,120	100%
Shanghai Mingfa Shopping Mall	Dec/2019	Commercial	121,079	100%
Nanjing Mingfa Xiang Hill Garden	Dec/2019	Residential/Commercial	10,484	100%
Jinzhai Mingfa City Square	Dec/2019	Residential/Commercial	372,411	100%
Mingfa Mingbo Town	Dec/2019	Residential/Commercial	171,950	100%
Nanjing Pukou G86	Dec/2019	Residential/Commercial	79,508	100%
<b>Total</b>			<b>965,055</b>	





## ACQUISITION FRAMEWORK AGREEMENTS

As at 31 December 2018, the Group entered into 10 uncompleted memoranda of understanding (“**MOU(s)**”) with various local governmental bodies of the PRC after being approached by them in relation to various urban renewal and redevelopment programs in different cities and locations. All MOUs were signed in or before 2014. These MOUs are not legally-binding and there is no assurance that the Group will be granted the land use rights after signing of the MOUs. On the contrary, the MOUs only set out the parties’ intention of cooperation in the future development of land and the Group still has to go through the public tender, auction or listing-for-sale procedures pursuant to the relevant PRC rules and regulations in order to obtain the land use rights from the PRC governmental authorities for such lands. Notwithstanding that, the Company considers these as opportunities for the Group to establish a closer strategic and working relationship with the relevant PRC governmental authorities which are in the interest and to the benefit of the Group in the long run. Summary of these MOUs and the related projects are listed as follows:

<b>Project Name</b>	<b>Location</b>	<b>Date of MOU</b>	<b>Site Area (sq.m.)</b>	<b>GFA (sq.m.)</b>	<b>(Notes)</b>
Huai’an Mingfa International Industrial Material Park and Mingfa International Town	Huai’an City, Jiangsu Province	28-Nov-07	666,670	1,180,219	(1)
Shenyang Creative Park	Shenyang City, Liaoning Province	28-Jan-10	912,005	2,000,000	(2)
Shenyang Residential and Commercial Complex Project	Shenyang City, Liaoning Province	28-Jan-10	142,800	714,000	(3)
Panjin Mingfa City Square	Panjin City, Liaoning Province	20-Oct-10	427,332	1,281,996	
Jiangsu Taizhou Mingfa City Complex Project	Taizhou City, Jiangsu Province	22-Dec-10	1,466,674	3,666,685	(4)
Shenyang Mingfa Integrated Science and Technology Park	Shenyang City, Liaoning Province	23-Sep-11	1,344,007	1,830,000	(5)
Nanjing Software Park Starting Area Project	Nanjing City, Jiangsu Province	14-Jan-12	220,001	800,000	
Nanjing Zijin (Pukou) Technology Entrepreneurship Special Community 2# Block Project	Nanjing City, Jiangsu Province	9-Oct-12	200,001	800,000	
Nanjing Software Valley Technology City Project	Nanjing City, Jiangsu Province	6-Dec-12	106,667	373,335	(6)
Anhui Hexian Wujiang New Town	Maanshan City, Anhui Province	28-Apr-13	2,000,010	7,000,035	(7)
<b>Total</b>			<b>7,486,167</b>	<b>19,646,270</b>	



# Management Discussion and Analysis

## Notes:

- (1) The Group had acquired 3 plots of land in 2010 and 2011 under the MOU signed on 28 November 2007. The land is located at Weihai East Road, Shenzhen South Road, and east of Guangzhou Road respectively in Huai'an. Total land area and GFA is approximately 184,455 sq.m. and approximately 420,370 sq.m. respectively.
- (2) The Group had acquired 1 plot of land in 2010 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 154,024 sq.m. and approximately 462,072 sq.m. respectively.
- (3) The Group had acquired 2 plots of land in 2010 under the MOU signed on 28 January 2010. The land is located in Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 61,222 sq.m. and approximately 306,110 sq.m. respectively.
- (4) The Group had acquired 5 plots of land in 2011 under the MOU signed on 22 December 2010. One plot of the land is located at west of Machang Zhonggou and south of Huangang Avenue in Taizhou and the other is located at east of Diaodong Zhonggou and south of Huangang Avenue in Taizhou. Total land area and GFA is approximately 292,487 sq.m. and approximately 731,300 sq.m. respectively.
- (5) The Group had acquired 2 plots of land under the MOU signed on 23 September 2011. The land is located at Zaohua Street, Guan Jia Village, Yuhong District, Liaoning Province. Total land area and GFA is approximately 235,526.47 sq.m. and approximately 423,947.63 sq.m. respectively.
- (6) The Group had acquired 1 plot of land under the MOU signed on 6 December 2012. The land is located at west of Software Park, Gaoxin District, Nanjing, Jiangsu Province. Total land area and GFA is approximately 11,244 sq.m. and approximately 67,465 sq.m. respectively.
- (7) The Group had acquired 47 plots of land under the MOU signed on 28 April 2013. The land is located at New City, Mei Shan Town, Jinzhai County, Hefei, Anhui Province. Total land area and GFA is approximately 549,651 sq.m. and approximately 1,400,401.5 sq.m. respectively.

## PROSPECTS

Looking forward to 2019, the regulatory policies will continue to be imposed on the real estate market to cure the speculative investment. Following the national strategic plans launched in Yangtze Economic Belt, the real estate market in the cities located in the Belt Area is expected to have higher growth as compared to the first tier cities.

Being a long established entity in Jiangsu and Anhui Province, the Group is expected to be benefited from the Belt Strategies. As at 31 December 2018, the Group had 21.7% and 41.9% of land bank located at Jiangsu and Anhui Province respectively. It is expected that such land bank allocation will be beneficial to the future growth.

The Group will continue to apply coherent and prudent land acquisition policies for further replenishment of selected quality land parcel in 2019. The land reserves increased by 4.7% in 2018 to 22.4 million sq.m., which is expected to be sufficient for projected growth for seven to eight years. Looking ahead, the Group remains focused on capturing the opportunities presented by the market trends and government policies to optimize the regional layout of property projects.

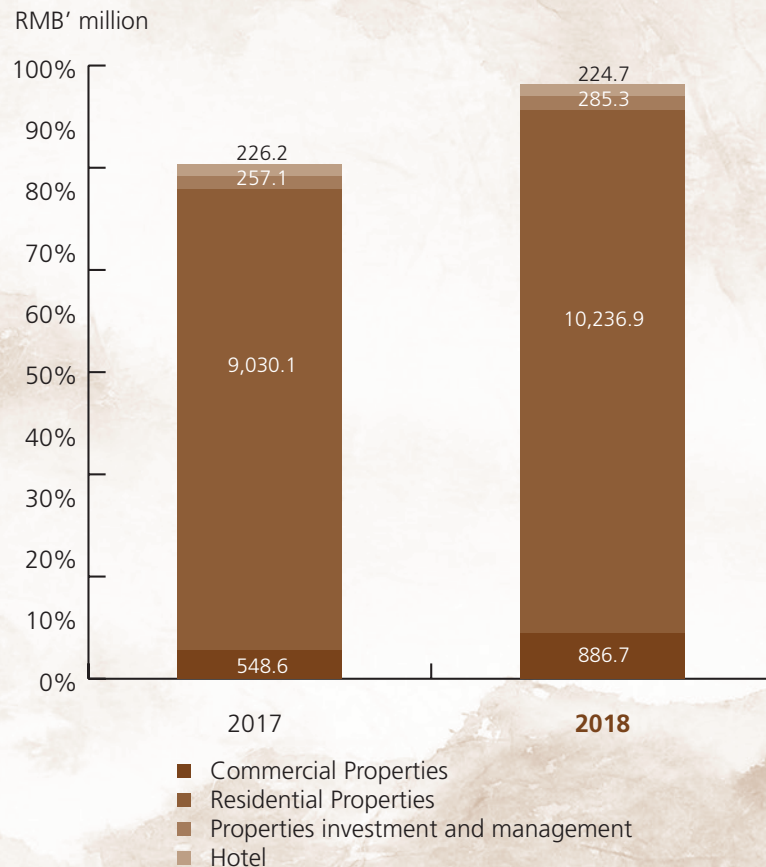


## FINANCIAL REVIEW AND ANALYSIS

For the year ended 31 December 2018, revenue generated by the Group was approximately RMB11,641.9 million (2017: approximately RMB10,071.4 million), representing an increase of 15.6% as compared to 2017. The increase in revenue in 2018 was mainly due to the increase in the GFA delivered from 1,029,065 sq.m. in 2017 to 1,248,065 sq.m. in 2018. Revenue from various sectors is analyzed as follows:

For the year ended 31 December	Commercial Properties (RMB'million)	Residential Properties (RMB'million)	Properties			Total (RMB'million)	Percentage of Increase in Total Revenue
			Investment and Management (RMB'million)	Hotel (RMB'million)	Others (RMB'million)		
2018	886.7	10,236.9	285.3	224.7	8.3	11,641.9	15.6%
2017	548.6	9,030.1	257.1	226.2	9.4	10,071.4	97.9%

## Revenue by Segment



## Management Discussion and Analysis

Revenue from the properties sector contributed 95.5% in total to the Group's revenue. Revenue from the commercial properties sector increased by 61.6% which was primarily due to more commercial properties delivered in Jinzhai Mingfa Shopping Mall, in 2018. Revenue generated from the residential properties sector increased for 13.4% in 2018 as compared to 2017. The main reason for the increase in revenue generated from residential properties was more GFA being delivered from 1,000,828 sq.m. in 2017 to 1,178,739 sq.m. in 2018.

Revenue from the properties investment and management sector increased by 11.0%, which was mainly due to the increase in GFA of investment properties and regular rental review.

Income generated from hotel sector decreased by 0.7% from approximately RMB226.2 million to approximately RMB224.7 million.

The gross profit of the Group was approximately RMB3,322.0 million for 2018, representing an increase of 37.4% as compared to 2017 (2017: approximately RMB2,418.2 million). The gross profit for 2018 increased primary as a result of the revenue growth.

The profit for the year of the Group increased by 8.7% from approximately RMB1,185.5 million in 2017 to approximately RMB1,289.1 million in 2018. The increase was mainly due to more profit generated from the increase in the revenue from approximately RMB10,071.4 million in 2017 to approximately RMB11,641.9 million in 2018 and fair value gain on investment properties in 2018.

The profit attributable to the equity holders of the Company was approximately RMB855.1 million for 2018, representing a decrease of approximately RMB169.1 million or approximately 16.5% from 2017 (2017: approximately RMB1,024.2 million). The decrease was mainly due to more profits was shared to the minority interests in Nanjing Rong Li and Nanjing Dream Garden.

The cost of sales of the Group was approximately RMB8,319.9 million for 2018, representing an increase of 8.7% as compared to 2017 (2017: approximately RMB7,653.2 million). Cost of sales increased in line with revenue.

The average cost of properties included in cost of sales of the Group was RMB6,262.3 per sq.m. for 2018, representing a decrease of 7.4% over 2017 (2017: average cost of properties included in cost of sales was RMB6,765.6 per sq.m.). The main reason was due to the lower land cost of Wujiang properties which were delivered in 2018.

Fair value gains on investment properties increased by 140.2% to approximately RMB749.3 million in 2018 (2017: approximately RMB312.0 million). The gain was mainly to due to the additional investment properties in Beijing and Xiamen in 2018.

Other losses of approximately RMB168.2 million was incurred in 2018 (2017: other gains of approximately RMB192.7 million). Such change was mainly due to the exchange losses arisen from currency translation of the offshore loans nominated in USD in 2018 while translation gain of approximately RMB211.0 million in 2017.

Selling and marketing costs of the Group were approximately RMB560 million in 2018, representing an increase of 21.7% over 2017 (2017: approximately RMB460 million). The increase was mainly due to additional sales commission for the increase in revenue.

General and administrative expenses of the Group were approximately RMB702 million in 2018, representing an increase of 1.7% over 2017 (2017: approximately RMB690 million).

Net finance income of the Group decreased by 27.6% to approximately RMB72.8 million in 2018 (2017: approximately RMB100.5 million).



# Management Discussion and Analysis

## CAPITAL STRUCTURE

As at 31 December 2018, the Group had aggregated cash and cash equivalents (excluding restricted cash) of approximately RMB5,263.4 million (31 December 2017: approximately RMB2,849.2 million). Restricted cash of the Group was approximately RMB429.6 million (31 December 2017: approximately RMB366.4 million). Bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB8,729.8 million and RMB2,109.7 million respectively (31 December 2017: approximately RMB10,254.1 million and RMB2,611.1 million respectively). The cash and cash equivalents of the Group were mainly denominated in Renminbi as at 31 December 2018.

Total interest expenses including the capitalised interest costs amounted to approximately RMB1,011.2 million (31 December 2017: approximately RMB991.6 million) in total.

Set out below are the major ratios of the Group:

	As at and for the year ended	
	31 December	
	2018	2017
Gross profit margin	<b>28.5%</b>	24.0%
Operating profit margin	<b>21.4%</b>	17.6%
Net profit margin	<b>11.1%</b>	11.8%
Current ratio	<b>1.05</b>	1.08
Total liabilities to total assets	<b>79.7%</b>	78.5%
Bank loans and other borrowings to shareholders' funds	<b>77.7%</b>	95.5%
Non-current bank loans and other borrowings to total assets	<b>2.8%</b>	3.9%
Gearing ratio*	<b>25.2%</b>	40.1%

\* Defined as net debt (total borrowings less cash and cash equivalents and cash restricted for borrowings) divided by the sum of shareholders' funds and net debt.

## PLEDGES OF ASSETS

As at 31 December 2018, investment properties of the Group with net book value of approximately RMB2,904.5 million (31 December 2017: approximately RMB2,630.5 million), buildings of approximately RMB381.6 million (31 December 2017: approximately RMB405.4 million), land use rights of approximately RMB3,587.1 million (31 December 2017: approximately RMB4,586.1 million), completed properties held for sale of approximately RMB2,623.0 million (31 December 2017: approximately RMB2,178.2 million) and properties under development of approximately RMB2,876.0 million (31 December 2017: approximately RMB1,794.9 million). Cash deposits of approximately RMB429.6 million (31 December 2017: approximately RMB366.3 million) were restricted and deposited in certain banks as security for project construction.

## CAPITAL COMMITMENTS

As at 31 December 2018, the contracted capital commitments of the Group were approximately RMB7,844.2 million (31 December 2017: approximately RMB7,397.5 million), which were mainly the capital commitments for property development. It is expected that the Group will finance such commitments from internally generated funds and resources.



# Management Discussion and Analysis

## GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2018, the contingent liabilities of the Group was approximately RMB5,448.3 million (31 December 2017: approximately RMB5,530.1 million), which were mainly the guarantees given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties. Such guarantees will be released following completion of transfer of property title by the Group to the buyers.

## FOREIGN EXCHANGE RISK

As at 31 December 2018, the balance of the bank deposits maintained by the Group (including restricted bank balances) consisted of Renminbi, Hong Kong dollars and US dollars in the respective proportions of 99.8%, 0.1% and 0.1% (31 December 2017: Renminbi, Hong Kong dollars and US dollars accounted for 93.4%, 0.1% and 6.5% respectively of the total bank balances of the Group). The bank loans and other borrowings maintained by the Group were denominated in Renminbi, Hong Kong dollars, US dollars and New Taiwan dollars in respective proportions of 64.9%, 2.1%, 32.1% and 0.9% (31 December 2017: Renminbi, Hong Kong dollars, US dollars and New Taiwan dollars accounted for 73.0%, 5.8%, 20.4% and 0.8% respectively of the total bank loans and other borrowings of the Group).

As the sales, purchases, bank borrowings and other borrowings of the Group in 2018 were made mainly in Renminbi, Hong Kong dollars and US dollars, and it is expected that the majority of future development and transactions carried out by the Group will be made and transacted either in Renminbi, Hong Kong dollars or US dollars, the Group will convert the Hong Kong dollars and US dollars bank balances into Renminbi as and when required to minimize any foreign exchange risk. The Group did not adopt any foreign exchange hedging instruments to hedge against foreign exchange risk in 2018 as the hedging list was comparable to the corresponding risk.

## INTEREST RATE RISK

As at 31 December 2018, the majority of the bank borrowings of the Group were floating rate borrowings and were denominated in Renminbi, Hong Kong dollars and US dollars, whereby any upward fluctuations in interest rates will increase the interest costs of the Group in connection with such loans or any new loans obtained by the Group calculated on a floating interest rate basis. The Group currently does not use any derivative instruments to hedge against its interest rate risk.

## FUNDING AND TREASURY POLICY

The Group utilizes cash flows generated from operating activities and bank loans to finance its operations, construction and capital expenditure, to increase its land banks, to discharge its debt and to ensure the continuous growth of the Group's business.

## CREDIT POLICIES

The Group has policies in place to ensure that sales of properties are made to purchasers with an appropriate financial strength and appropriate percentage of down payment. Credit is normally granted to anchor tenants with sufficient financial strength. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Other receivables mainly comprise deposits made to government agencies for property development purposes which are to be recovered upon completion of the development, and advances to business partners for business cooperations. The Group closely monitors these deposits and advances to ensure actions are taken to recover these balances in the case of any risk of default.



## HUMAN RESOURCES

As at 31 December 2018, the Group employed 3,438 staff (31 December 2017: 3,097 staff). The increase was mainly due to more staff recruited for new project companies. For 2018, the staff costs of the Group including Directors' emoluments were approximately RMB435.8 million (2017: approximately RMB361.3 million). The increase was due to the increase in number of staff and annual salary adjustment. The staff costs include basic salary and welfare expenses, whereby employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, training and pregnancy insurance plan.

The Company values human capital and is keen to improve the professionalism and competitiveness of employees through training and regular performance reviews. The Group provides various training opportunities to employees, including training for accounting teams and other training in relation to the latest group reporting requirements and standards. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally conducts review on the remuneration packages and performance appraisal once every year for its employees, the results of which will be applied in annual salary review for considering the grant of annual bonus or not and in promotion assessment. The Group also studies and compares its remuneration packages with those of its peers and competitors and will make adjustment whenever necessary so as to maintain its competitiveness in the employment market.

## PENSION SCHEME

The Group maintains different pension schemes and retirement schemes for its employees in different locations in accordance with applicable laws and regulations of different jurisdictions.

The Group has participated in the mandatory provident fund scheme ("**MPF Scheme**") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at specified rates.

In relation to the employees in the PRC, the PRC Government also imposes compulsory requirements for all PRC business enterprises to participate in the state-managed retirement benefit scheme. The employees of the PRC subsidiaries of the Group are members of the state-managed retirement benefit scheme, and these PRC subsidiaries are obligated to contribute certain percentage of payroll costs to the state-managed retirement benefit scheme. There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group.

For 2018, the contribution to the above MPF Scheme and retirement benefit scheme made by the Group amounted to approximately RMB41.1 million (2017: approximately RMB30.8 million).

## DIVIDEND POLICY

In general, the Company will declare or propose dividends semi-annually when the Board approves the interim results and the annual results. Any declaration of dividends will depend upon a number of factors including our earnings and financial conditions, operation requirements, capital requirements, capital efficiency and any other conditions that our Directors may deem relevant and will be subject to the approval of our shareholders of the Company. There is no assurance that dividends of any amount will be declared or distributed in any given year.



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders of the Company ("**Shareholders**") as a whole. The Board strived to uphold good corporate governance and adopt sound corporate governance practices. During the year under review, all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") ("**Listing Rules**") were complied with by the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions throughout the year under review.

## BOARD OF DIRECTORS

Directors during the financial year end and up to the date of this report were:

### Executive Directors

Mr. Wong Wun Ming (*Chairman*)  
Mr. Huang Qingzhu  
Mr. Huang Lianchun  
Mr. Huang Li Shui

### Independent Non-Executive Directors

Mr. Lau Kin Hon  
Mr. Chu Kin Wang Peleus (*appointed on 1 November 2016*)  
Dr. Lam, Lee G. (*appointed on 1 September 2018*)  
Mr. Qu Wenzhou (*resigned on 31 August 2018*)  
Mr. Dai Yiyi (*resigned on 1 September 2018*)  
Dr. Wong Tin Yau Kelvin J.P. (*appointed on 1 September 2018 and retired on 6 March 2019*)

Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui are all brothers.

The Directors' biographical information are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. All Executive Directors have given sufficient time and attention to the affairs of the Group. Each Executive Director has sufficient experience to hold the position so as to perform his duties effectively and efficiently.





A total of 3 Board meetings were held during the year under review. The individual attendance of each Director was as follows:

Name of Director	Number of Meetings Attended	Total of Meetings Held during the Director's Tenure
Mr. Wong Wun Ming	3	3
Mr. Huang Qingzhu	0	3
Mr. Huang Lianchun	0	3
Mr. Huang Li Shui	0	3
Mr. Lau Kin Hon	3	3
Mr. Chu Kin Wang Peleus ( <i>appointed on 1 November 2016</i> )	3	3
Mr. Qu Wenzhou ( <i>resigned on 31 August 2018</i> )	0	0
Mr. Dai Yiyi ( <i>resigned on 1 September 2018</i> )	0	0
Dr. Lam, Lee G. ( <i>appointed on 1 September 2018</i> )	2	3
Dr. Wong Tin Yau Kelvin J.P. ( <i>appointed on 1 September 2018 and retired on 6 March 2019</i> )	2	3

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management, and circumstances where the management team should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters.

Save as disclosed in the section of "Biographical Details of Directors and Senior Management" in this annual report, none of the Directors holds directorships in other listed companies.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year under review, the role of the chairman was performed by Mr. Wong Wun Ming who has been responsible for the overall strategic planning and management of the Group, and responsible for ensuring effectiveness of the Board, promoting the Company and upholding the Company's corporate governance. The role of the chief executive officer of the Company was performed by Mr. Huang Qingzhu who has been responsible for overall daily operation of the Group.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had six independent non-executive Directors ("**Independent Non-Executive Directors**") during the year under review, namely Mr. Dai Yiyi (resigned on 1 September 2018), Mr. Qu Wenzhou (resigned on 31 August 2018), Mr. Lau Kin Hon, Mr. Chu Kin Wang Peleus (appointed on 1 November 2016), Dr. Lam, Lee G. (appointed



## Corporate Governance Report

on 1 September 2018) and Dr. Wong Tin Yau Kelvin *J.P.* (appointed on 1 September 2018 and retired on 6 March 2019), who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. Each of the Independent Non-Executive Directors has been appointed for a term of 2 or 3 years and subject to rotation as required under the articles of association of the Company, the Listing Rules and other applicable rules (if re-elected, shall continue thereafter) and termination at any time by either party giving to the other not less than 3 months' notice in writing or in accordance with the provisions set out in the respective service agreement.

### NOMINATION OF DIRECTORS

The Company has set up a nomination committee ("**Nomination Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Nomination Committee are to formulate nomination procedures and standards for candidates for Directors and senior management, to conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management and to recommend suitable candidates for Directors and senior management to the Board.

During the year under review, the chairperson of the Nomination Committee was an Independent Non-Executive Director, namely Mr. Dai Yiyi until his resignation on 1 September 2018 upon which Mr. Wong Wun Ming, an Executive Director, was appointed as the chairperson of the Nomination Committee. The other members were Independent Non-Executive Directors, namely Mr. Lau Kin Hon, Mr. Chu Kin Wang Peleus (appointed on 1 November 2016) and Mr. Qu Wenzhou (resigned on 31 August 2018).

One Nomination Committee meeting was held during the year under review. The individual attendance of each member was as follows:

<b>Name of Director</b>	<b>Number of Meeting Attended</b>	<b>Total of Meetings Held during the Director's Tenure</b>
Mr. Wong Wun Ming ( <i>appointed as chairperson of the Nomination Committee on 1 September 2018</i> )	0	0
Mr. Dai Yiyi ( <i>chairperson of the Nomination Committee and resigned on 1 September 2018</i> )	0	1
Mr. Qu Wenzhou ( <i>resigned on 31 August 2018</i> )	0	1
Mr. Lau Kin Hon	1	1
Mr. Chu Kin Wang Peleus ( <i>appointed on 1 November 2016</i> )	1	1

The tasks performed by the Nomination Committee during the year under review in discharging its responsibilities include:

- to appoint Mr. Wong Wun Ming, an Executive Director and chairman of the Board, as a member of the Remuneration Committee effective 1 September 2018;
- to review the appointments and the remuneration package of Dr. Lam, Lee G. and Dr. Wong Tin Yau Kelvin *J.P.* as Independent Non-Executive Directors and members of the Audit Committee effective 1 September 2018.



## BOARD DIVERSITY POLICY

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Company recognises and embraces the benefits of diversity of Board to enhance the quality of its performance. The Board has adopted a board diversity policy as set out in the Terms of Reference of Nomination Committee effective from 26 August 2013. All Board appointments will continue to be made on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Under the board diversity policy, selection of candidate will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Each of the Board members possessed different skills and knowledge, including property development, construction and building construction management, development strategy and marketing management, financial management, procurement management, administration and business management, property and hotel management, investment development, legal and human resource management, etc. The Board is characterized by significant diversity in terms of age, designation, length of service, skills and knowledge.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has set up a remuneration committee ("**Remuneration Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, to review performance based on remuneration and to ensure none of the Directors can determine their own remuneration.

The Remuneration Committee shall make recommendations to the Board on the remuneration packages of individual Executive Directors, Independent Non-Executive Directors and senior management of the Company and have access to professional advice, if necessary.

The basis of the emoluments payable to the Directors is determined with reference to the range of prevailing remuneration for directors of listed companies in Hong Kong and is subject to the approval of the Board. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions in the Group and the desirability of performance-based remuneration.

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 33 to the financial statements.

During the year under review, the chairperson of the Remuneration Committee was an Independent Non-Executive Director, namely, Mr. Qu Wenzhou until his resignation on 31 August 2018 upon which Mr. Lau Kin Hon, an Independent Non-Executive Director, was appointed as the chairperson of the Remuneration Committee. The other members comprise one Executive Director, namely Mr. Wong Wun Ming (appointed as member of the Remuneration Committee on 1 September 2018) and two Independent Non-Executive Directors, namely Mr. Chu Kin Wang Peleus (appointed on 1 November 2016) and Mr. Dai Yiyi (resigned on 1 September 2018).



## Corporate Governance Report

One Remuneration Committee meeting was held during the year under review. The individual attendance of each member was as follows:

Name of Director	Number of Meetings Attended	Total of Meetings Held during the Director's Tenure
Mr. Qu Wenzhou ( <i>chairperson of the Remuneration Committee and resigned on 31 August 2018</i> )	0	1
Mr. Dai Yiyi ( <i>resigned on 1 September 2018</i> )	0	1
Mr. Lau Kin Hon ( <i>chairperson of the Remuneration Committee effective 1 September 2018</i> )	1	1
Mr. Chu Kin Wang Peleus ( <i>appointed on 1 November 2016</i> )	1	1
Mr. Wong Wun Ming ( <i>appointed as member on 1 September 2018</i> )	0	0

The tasks performed by the Remuneration Committee during the year under review in discharging its responsibilities include:

- (a) to review and assess the independence and the appointment of Dr. Lam, Lee G. and Dr. Wong Tin Yau Kelvin *J.P.* as Independent Non-Executive Directors and members of the Audit Committee effective 1 September 2018;
- (b) to appoint Mr. Wong Wun Ming, an Executive Director and Chairman of the Board, as the chairman of the Nomination Committee effective 1 September 2018;
- (c) to appoint Mr. Lau Kin Hon, an Independent Non-Executive Director, as the chairman of the Remuneration Committee effective 1 September 2018;

### AUDIT COMMITTEE

The Company has set up an audit committee ("**Audit Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Audit Committee include making recommendations to the Board in relation to the independency and engagement of external auditor, monitoring the integrity, accuracy and fairness of financial statements, reviewing the system of financial control, internal control and risk management, overseeing the audit process, reviewing the corporate governance practices of the Company and performing other duties and responsibilities as assigned by the Board.

The Board delegates its following responsibility and duties in relation to the corporate governance to the Audit Committee:

- to develop and review the policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;



- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Corporate Governance Code disclosure in the Company's Corporate Governance Report according to the Listing Rules.

During the year under review, the chairperson of the Audit Committee was Independent Non-Executive Director, Mr. Qu Wenzhou until his resignation on 31 August 2018. Mr. Chu Kin Wang Peleus, was appointed on 1 November 2016 as Independent Non-Executive Director and appointed as the chairperson of the Audit Committee effective 1 September 2018. The other members were all Independent Non-Executive Directors, namely Mr. Lau Kin Hon, Dr. Lam, Lee G. (appointed on 1 September 2018), Mr. Dai Yiyi (resigned on 1 September 2018) and Dr. Wong Tin Yau Kelvin J.P. (appointed on 1 September 2018 and retired on 6 March 2019).

Nine Audit Committee meetings were held during the year under review. The individual attendance of each member was as follows:

Name of Director	Number of Meetings Attended	Total of Meetings Held during the Director's Tenure
Mr. Qu Wenzhou ( <i>chairperson of the Audit Committee and resigned on 31 August 2018</i> )	0	9
Mr. Dai Yiyi ( <i>resigned on 1 September 2018</i> )	0	9
Mr. Chu Kin Wang Peleus ( <i>chairperson of the Audit Committee effective 1 September 2018</i> )	8	9
Dr. Lam, Lee G. ( <i>appointed on 1 September 2018</i> )	9	9
Dr. Wong Tin Yau Kelvin J.P. ( <i>appointed on 1 September 2018</i> )	9	9
Mr. Lau Kin Hon	8	9

The tasks performed by the Audit Committee during the year under review in discharging its responsibilities include:

- to discuss and review the progress work on 2015 annual report and the matters relating to 2015 annual general meeting;
- to discuss and review with the forensic accountant in relation to the investigation progress work;
- to discuss and review with the counsels and auditors of the Company in relation to the resumption progress and works;
- to discuss and review the proposals of audit works for 2016, 2017 and 2018 financial years; and
- to discuss and review the internal control issues.



## Corporate Governance Report

### DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment as our Directors, each newly appointed Director receives comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being our Director, in order to ensure each Director is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

From time to time, the Company encourages all Directors and also senior executives to equip themselves with relevant up-to-date knowledge and skills. According to the training record maintained by the Company, all Directors received certain trainings during the year under review. A summary of their records of training in 2018 is as follows:

Name of Director	Types of Training/Development*
<b>Executive Directors</b>	
Mr. Wong Wun Ming	A, B
Mr. Huang Qingzhu	A, B
Mr. Huang Lianchun	A, B
Mr. Huang Li Shui	A, B
<b>Independent Non-Executive Directors</b>	
Mr. Qu Wenzhou ( <i>resigned on 31 August 2018</i> )	A, B
Mr. Dai Yiyi ( <i>resigned on 1 September 2018</i> )	A, B
Mr. Lau Kin Hon	A, B
Mr. Chu Kin Wang Peleus ( <i>appointed on 1 November 2016</i> )	A, B
Dr. Lam, Lee G. ( <i>appointed on 1 September 2018</i> )	Induction training, A, B
Dr. Wong Tin Yau Kelvin J.P. ( <i>appointed on 1 September 2018 and retired on 6 March 2019</i> )	Induction training, A, B

\* The letter "A" denotes the activities which include reviewing company business updates, company news and reports and industry updates. The letter "B" denotes the activities which include reading updates of laws, rules and regulations, accounting standards, newspapers and industry journals.

### REMUNERATION OF MEMBERS OF THE SENIOR MANAGEMENT

The remuneration of the members of the senior management of the Group for the year ended 31 December 2018 and 2017 fall within the following bands:

Emolument Bands	Number of Individuals	
	2018	2017
HK\$500,001–HK\$1,000,000	3	3
HK\$1,000,001–HK\$1,500,000	—	—
HK\$1,500,001–HK\$2,000,000	—	—
HK\$2,000,001–HK\$2,500,000	1	1



### AUDITOR'S REMUNERATION

For 2018, the remuneration of the Company's auditor for reviewing of the half-yearly interim financial information of the Group and auditing the annual consolidated financial statements of the Group was approximately RMB4.8 million in aggregate.

During the year under review, there were no other significant non-audit service assignments performed by the auditor of the Company.

### ANNUAL REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL OF THE GROUP

The Board has the responsibility for maintaining a sound and effective system of internal control. The Directors, through the Audit Committee, have conducted a review of the effectiveness of the system of internal control of the Group including the duties and responsibilities of the compliance department of the Group, the existing internal compliance procedures and the customized and continuing compliance trainings, and have resolved that there is an ongoing system in place for identifying, evaluating and managing significant risks which will be faced by the Group.

The Board of Directors appointed internal control consultant to review the internal control systems and procedures of the Group in December 2018. The scope of review had been reviewed and approved by the Audit Committee. For those major internal control deficiencies identified, the Group had implemented corresponding remedial measures which had been reviewed by the internal control consultant. The Company considers the risk management and internal control systems currently in place are adequate. Please refer to the Company's announcement dated 30 April 2019 for details of this internal control review.

### SHAREHOLDERS' RIGHTS Communication Channel

The Company publishes corporate communications and its Shareholders Communication Policy on its website (<http://www.ming-fa.com>).

Shareholders of the Company and the investment community may at any time make enquiries to the Company:

By post:

Mingfa Group (International) Company Limited  
Units 6-8, 23/F., South Tower, Concordia Plaza  
1 Science Museum Road, Tsim Sha Tsui  
Kowloon, Hong Kong  
Attention: Company Secretary

By telephone: +852 2620 5885

By email: [info@mingfagroup.com](mailto:info@mingfagroup.com)

The Board and senior management maintain a continuing dialogue with the Shareholders and the investment community through various channels, including the Company's annual general meeting. The chairman and other members of the Board attend the annual general meeting of the Company. Directors will answer questions raised by the Shareholders on the performance of the Group. The Company also holds investor relations conference following the release of full year results announcement at which the Executive Directors and senior management of the Group are available to answer questions regarding the performance of the Group.

### GENERAL MEETING

No general meeting was held during the year under review.



## Corporate Governance Report

### **Procedures for Shareholders to Convene an Extraordinary General Meeting of the Company (“EGM”).**

Registered Shareholder(s) holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at a general meeting of the Company (“**EGM Requisitionist(s)**”) can deposit a written request to convene an EGM at the registered office of the Company, which is presently situated at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

EGM Requisitionist(s) must state in their request(s) the objects of the EGM and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The share registrars of the Company (“**Share Registrars**”) will verify the EGM Requisitionists’ particulars in the EGM Requisitionists’ request. Promptly after confirmation from the Share Registrars that the EGM Requisitionists’ request is in order, the company secretary of the Company will arrange with the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists’ request is determined to be not in order, the EGM Requisitionists will be advised of the outcome and accordingly, an EGM will not be convened as requested.

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists’ request, the Board does not proceed duly to convene an EGM provided that any EGM so convened is held within three (3) months from the date of the original EGM Requisitionists’ request. An EGM so convened by the EGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

### **Procedures for Shareholders to Put Forward Proposals at a General Meeting**

There is no provision allowing Shareholders to move a new resolution at general meetings under the Cayman Islands Companies Law (2012 revision) or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding section headed “Procedures for Shareholders to convene an EGM”.

### **Procedures for Shareholders to Propose a Person for Election as a Director**

Details of the procedures had been made available online on the websites of the Company (<http://www.ming-fa.com>) and the Stock Exchange (<http://www.hkexnews.hk>).

## **CONSTITUTIONAL DOCUMENT**

During the year under review, no amendment to the memorandum and articles of association of the Company was made.





**DIRECTOR'S RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS**

All Directors acknowledge that they are responsible for the preparation of financial statements which give a true and fair view of the Company and the Group.

For and on Behalf of the Board  
**Mingfa Group (International) Company Limited**

**Wong Wun Ming**  
*Chairman*  
28 June 2019



# Biographical Details of Directors and Senior Management

## DIRECTORS

### EXECUTIVE DIRECTORS

**Mr. WONG Wun Ming (黃煥明)**, aged 56, was appointed as our Chairman and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is the main founder of our Group and has been responsible for the overall strategic planning and management of our Group. He has been the key driver of the Group's strategy and achievements to date. He has extensive experience in the PRC real estate sector, having been engaged in real estate development and management in the PRC for over 20 years. He received the "Outstanding Person in 2006–2007" awarded by Xiamen Real Estate Association in 2007, "China Real Estate Top Ten Outstanding Entrepreneur" awarded by Beijing Great Hall of the People in 2004, and "CIHAF Chinese Top 100 People in Real Estate Industry" awarded by the organizing committee of the China Property Fair Alliance in 2003 and 2004, such awards being important awards in the PRC real estate industry.

Mr. Wong has involved in PRC real estate development since 1986 when he formed his own construction company. Mr. Wong accumulated valuable experience in construction and management as the market for commodity housing projects opened up around the early nineties. In 1994, Mr. Wong co-founded our Group with his brother Mr. Huang Qingzhu by establishing Xiamen Mingfa Real Estate Development Co., Ltd. in Xiamen, Fujian Province. Mr. Wong is a brother of Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

**Mr. HUANG Qingzhu (黃慶祝)**, aged 48, was appointed as our Chief Executive Officer and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is one of the founders of our Group and has been responsible for the day to day management and overall operations of our Group. Mr. Huang has extensive experience in the real estate industry in the PRC and was awarded the "China Real Estate Top 100 Exceptional Persons" by the China (Shenzhen) International Housing and Archi-Tech Fair in 2003.

Mr. Huang has accumulated extensive experience in the PRC real estate industry through his over 20 years of involvement in this field. He co-founded our Group with his brother Mr. Wong Wun Ming in 1994 by establishing Xiamen Mingfa Real Estate Development Co., Ltd. in Xiamen, Fujian Province. Prior to being appointed as a Director, Mr. Huang served as the general manager of the Group from 1998 to 2008 and the general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1994 to 1997. He qualified as a senior economist in 2005. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

**Mr. HUANG Lianchun (黃連春)**, aged 46, was appointed as our Chief Operating Officer, Executive Vice President and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. Mr. Huang is responsible for overseeing the day to day operations of our Group and reporting the affairs and progress to our Chief Executive Officer. Besides his management role in our Group, Mr. Huang also concurrently serves as the Vice President of the Nanjing Nan'an Chamber of Commerce, Jiangsu Youth Chamber of Commerce and committee member of the Jiangsu Federation of Industry and Commerce.

Prior to being appointed as a Director, Mr. Huang served as a general manager of Mingfa Group Nanjing Real Estate Development Co., Ltd. from 2002 to 2009 and a general manager of Mingfa Group Co., Ltd. from 1998 to 2008. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Li Shui, our Directors.



## Biographical Details of Directors and Senior Management

**Mr. HUANG Li Shui (黃麗水)**, aged 62, was appointed as our Non-Executive Director on 27 November 2007 and redesignated as an Executive Director on 20 April 2010. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He has more than 20 years of experience in the real estate sector. Mr. Huang joined our Group in 1995 and prior to being appointed as a Director, Mr. Huang served as a director of Mingfa Group Nanjing Construction Materials Development Co., Ltd. from 2003 to 2008 and as a director and a general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1997 to 2007. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Lianchun, our Directors.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LAU Kin Hon (劉建漢)**, aged 51, was appointed as an Independent Non-Executive Director on 19 March 2013. Mr. Lau Kin Hon is a practicing solicitor in Hong Kong. Mr. Lau Kin Hon received his bachelor of laws degree from University College, London, U.K. He is currently a partner of a law firm in Hong Kong.

Mr. Lau Kin Hon is an executive director of CL Group (Holdings) Limited (stock code: 8098) and was a non-executive director of Lisi Group (Holdings) Limited (stock code: 526) from 31 May 2005 to 1 January 2019, all of which are listed on the Stock Exchange.

Mr. Lau Kin Hon was the independent non-executive director of Fujian Group Limited ("**FGL**") during the period from 11 June 1996 to 11 December 2003, Seapower Resources International Limited ("**SRI**") during the period from 15 August 2000 to 5 December 2003 and I-China Holdings Limited ("**ICL**") during the period from 1 April 2001 to 23 April 2004. Each of FGL, SRI and ICL was a company listed on the Stock Exchange during Mr. Lau Kin Hon's directorship. FGL was incorporated in Hong Kong whose principal business was property investment. FGL was subject to a winding up petition at the High Court of Hong Kong and provisional liquidators were appointed in 2003. Successful debt restructuring of FGL was completed on 11 December 2003 and the said winding up petition and provisional liquidators were discharged on the same date. SRI was incorporated in the Cayman Islands whose principal businesses were property investment and cold storage. SRI was subject to a winding up petition at the High Court of Hong Kong and provisional liquidators were appointed in 2001. Successful restructuring of SRI was completed on 5 December 2003 and the said winding up petition and provisional liquidators were discharged accordingly. ICL was incorporated in Bermuda whose principal business was investment holding. ICL was subject to a winding up petition at the High Court of Hong Kong and provisional liquidators were appointed in 2002. Successful restructuring of ICL was completed on 23 April 2004 and the said winding up petition and provisional liquidators were discharged accordingly. Mr. Lau Kin Hon has confirmed that there was no wrongful act on his part leading to the winding up petitions in respect of FGL, SRI and ICL.

**Mr. CHU Kin Wang Peleus (朱健宏)**, aged 54, was appointed as an Independent Non-executive Director on 1 November 2016. Mr. Chu Kin Wang Peleus is a fellow practicing member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) and the Institute of Chartered Secretaries and Administrators. Mr. Chu Kin Wang Peleus graduated from the University of Hong Kong with a master's degree in business administration in December 1998.

Since December 2008, Mr. Chu Kin Wang Peleus has been the executive director responsible for investor relationship, financial management and compliance matters of Chinese People Holdings Company Limited (stock code: 0681) which is a company principally engaged in the sales and distribution of natural gas and liquefied petroleum gas in China and listed on the Main Board of the Stock Exchange.



## Biographical Details of Directors and Senior Management

Mr. Chu Kin Wang Peleus had been appointed as a non-executive director of Perfect Group International Holdings Limited (stock code: 3326), a company listed on the Main Board of the Stock Exchange, from 19 August 2015 to 1 March 2017.

Mr. Chu Kin Wang Peleus is or was an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange or Growth Enterprise Market (GEM) of the Stock Exchange:

- Tianli Holdings Group Limited (formerly known as EYANG Holdings (Group) Co. Limited) (stock code: 0117) since April 2007
- Huayu Expressway Group Limited (stock code: 1823) since May 2009
- Flyke International Holdings Ltd. (stock code: 1998) since February 2010
- China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited) (stock code: 1269) since October 2011
- SuperRobotics Limited (formerly known as SkyNet Group Limited) (stock code: 8176) since March 2012
- Madison Holdings Group Limited (formerly known as Madison Wine Holdings Limited) (stock code: 8057) since September 2015
- National Agricultural Holdings Limited (stock code: 1236) from 26 June 2015 to 11 September 2015
- PT International Development Corporation Limited (formerly known as ITC Corporation Limited (stock code: 372) from 8 March 2017 to 27 September 2017
- China Huishan Dairy Holdings Company Limited (stock code: 6863) from 22 June to 15 December 2017
- Telecom Service One Holdings Limited (stock code: 8145) from 30 April 2013 to 27 December 2017

**Dr. LAM, Lee G. (林家禮)**, aged 59, was appointed as an Independent Non-Executive Director on 1 September 2018. Dr. LAM, is the Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman — Hong Kong and ASEAN Region and Chief Adviser to Macquarie Infrastructure and Real Assets Asia, a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-industrialization, and the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Vice Chairman of Pacific Basin Economic Council (PBEC), a member of the Hong Kong Trade Development Council Belt and Road Committee and Convenor of its Digital Silk Road Working Group, and the Sir Murray MacLehose Trust Fund Investment Advisory Committee, Honorary Advisor to the Hong Kong Business Angel Network (HKBAN), Honorary Chairman — Asia Pacific of CMA Australia, Chairman of Monte Jade Science and Technology Association of Hong Kong, President of Hong Kong-ASEAN Economic Cooperation Foundation, a Vice President of the Hong Kong Real Property Federation, Special Adviser to the Asia Pacific Real Estates Association, a Board member of the Chinese General Chamber of Commerce of Hong Kong and the Australian Chamber of Commerce in Hong Kong and Macau, a founding Board member and the Honorary Treasurer of the Hong Kong Vietnam Chamber of Commerce, Vice Chairman of the Hong Kong Myanmar Chamber of Commerce, a founding member of the Hong Kong-Korea Business Council, and a member of the Hong Kong-Thailand Business Council.



## Biographical Details of Directors and Senior Management

Dr. Lam has over 30 years of international experience in general management, management consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology (TMT), consumer/agriculture/healthcare, infrastructure/real estates, energy/resources and financial services sectors.

Dr. Lam holds a BSc in sciences and mathematics, an MSc in systems science and an MBA from the University of Ottawa in Canada, a post-graduate diploma in public administration from Carleton University in Canada, a post-graduate diploma in English and Hong Kong Law and an LLB (Hons) in law from Manchester Metropolitan University in the UK, a LLM in law from the University of Wolverhampton in the UK, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, an MPA and a PhD from the University of Hong Kong. A former member of the Hong Kong Bar, Dr. Lam is a Solicitor of the High Court of Hong Kong, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Fellow of the Hong Kong Institute of Arbitrators, the Hong Kong Institute of Directors, the Institute of Public Accountants, the Institute of Financial Accountants and CMA Australia; and an Honorary Fellow of CPA Australia, the Hong Kong Institute of Facility Management and the University of Hong Kong School of Professional and Continuing Education.

Dr. Lam is currently an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Glorious Sun Enterprises Limited (Stock Code: 393), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223), Haitong Securities Co., Ltd. (Stock Code: 6837, a company also listed on Shanghai Stock Exchange, Stock Code: 600837), Huarong Investment Stock Corporation Limited (Stock Code: 2277), Hang Pin Living Technology Company Limited (formerly known as Hua Long Jin Kong Company Limited, Stock Code: 1682), Kidsland International Holdings Limited (Stock Code: 2122), Hsin Chong Group Holdings Limited (Stock Code: 404), Mingfa Group (International) Company Limited (Stock Code: 846) and Aurum Pacific (China) Group Limited (Stock Code: 8148); and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), China Shandong Hi-Speed Financial Group Limited (Stock Code: 412), Tianda Pharmaceuticals Limited (Stock Code: 455) and Green Leader Holdings Group Limited (Stock Code: 61) (the shares of all of the aforementioned companies are listed on the Stock Exchange).

Dr. Lam is also an independent non-executive director of each of China Real Estate Grp Ltd. (formerly known as Asia-Pacific Strategic Investments Limited, Stock Code: 5RA), Top Global Limited (Stock Code: BHO), JCG Investment Holdings Ltd. (formerly known as China Medical (International) Group Limited, Stock Code: VFP) and Thomson Medical Group Limited (Stock Code: A50), and a non-executive director of Singapore eDevelopment Limited (Stock Code: 40V) (the shares of all of the aforementioned companies are listed on Singapore Exchange). Dr. Lam is also an independent director of Sunwah International Limited (Stock Code: SWH) (a company listed on Toronto Stock Exchange); an independent non-executive director of AustChina Holdings Limited (Stock Code: AUH) (a company listed on Australian Securities Exchange), a non-executive director of Adamas Finance Asia Limited (Stock Code: ADAM) (a company listed on London Stock Exchange) and an independent non-executive director of TMC Life Sciences Berhad (a company (Stock Code: 0101) listed on the Main Board of Bursa Malaysia Securities Bhd).

In the three years preceding his appointment as a Director, Dr. Lam was a non-executive director of Roma Group Limited from 13 September 2017 to 11 December 2017; and an independent non-executive director of each of Xi'an Haitiantian Holdings Company Limited (former name as Xi'an Haitain Antenna Holdings Company Limited) from 15 September 2017 to 23 July 2018 and Imagi International Holdings Limited from 11 May 2010 to 28 January 2016, all of which are listed on the Stock Exchange; and an independent non-executive director of Rowsley Limited (a company listed on Singapore Exchange) from 26 June 2002 to 25 April 2018; and an independent non-executive director of Vietnam Equity Holding (a company listed on Stuttgart Stock Exchange) from 25 October 2007 to 28 February 2018.



## Biographical Details of Directors and Senior Management

### SENIOR MANAGEMENT

**Mr. POON Wing Chuen (潘永存)**, aged 53, our Chief Financial Officer, Company Secretary and one of the two authorized representatives of the Company in Hong Kong. Mr. Poon is responsible for overseeing the finance, treasury, accounting, investor relations and company secretarial functions of the Group. He joined our Group on 2 May 2008 and was appointed as the Company Secretary of the Company on 12 September 2008. Mr. Poon has over 20 years of experience in the finance and accounting field. Prior to joining our Group, Mr. Poon worked as a Financial Controller and Chief Financial Officer of several Hong Kong manufacturing companies over the years. Mr. Poon worked in Pricewaterhouse (subsequently renamed to PricewaterhouseCoopers) upon graduation. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. He graduated from City Polytechnic of Hong Kong with a professional diploma in accountancy in 1989.

Mr. Poon has confirmed that he has taken no less than 15 hours of relevant professional trainings during 2018 and that he had complied with Rule 3.29 of the Listing Rules in relation to professional training during the year under review.

**Ms. HAO Jin (郝晉)**, aged 41, our Vice President, is responsible for auction, land purchase, development, investment operations and public relations of our Group. Ms. Hao has more than ten years of experience in the PRC real estate sector. Ms. Hao joined our Group in 2006 and served as the deputy general manager of Mingfa Group Nanjing Real Estate Co., Ltd. Prior to joining our Group, Ms. Hao served as the manager of the strategy and development department of Hongyi Real Estate Development Co., Ltd. from 2002 to 2005. Ms. Hao served as the Superintendent of the operations and management departments of Jiangsu Suning Construction Group Co., Ltd. from 1998 to 2002. She graduated from Tianjin University of Technology and Education in 1998 and obtained a bachelor degree in international economics and trade from Southeast University in 2004.



# Report of the Directors

The Directors herein present this annual report and the audited financial statements of the Group for the year ended 31 December 2018.

## BUSINESS INFORMATION

The Company's principal activity is investment holding. The principal activities of the Group include property development, leasing and hotel management. The nature of the principal activities of the Group remained the same without change during the year under review.

A review of the Group's business for the year ended 31 December 2018 and a discussion on the Group's future development are provided in the "Chairman's Statement" and "Management Discussion and Analysis" sections of this annual report.

The Company regards stakeholders as the key element to the Group's long-term development and success, including all employees, customers, suppliers, investors and government authorities. We provide career development and trainings for employees, and pursue active communications amongst all departments head. We ensure active corporate communication and reporting to share the Group's performance, developments and plans through announcements, periodical reports, marketing campaigns and investor relations events. We response to all stakeholders' enquiries in a timely manner so that to maintain long-term relationship and cooperation.

## FINANCIAL INFORMATION

The Group's performance for the year ended 31 December 2018 is analyzed by using key financial performance indicators set out in "Summary of Financial Information" of this annual report as a summary of results and assets, liabilities and non-controlling interests of the Group for the last five financial years, which is extracted from the audited consolidated financial statements and restated/reclassified as appropriate. This summary does not form part of the consolidated financial statements.

Possible risks and uncertainties that the Group may be facing and the Group's risk management are discussed in the section heading "Management Discussion and Analysis" and set out in the Note 3 to the consolidated financial statements of this annual report.

## SEGMENT INFORMATION

The Group's revenue from external customers is derived solely from its operations in the PRC during the year under review and are set out in Note 5 to the consolidated financial statements.

## COMPLIANCE

The Company recognises the importance of compliance with relevant laws and regulations which has significant impact in its business and all commercial activities, including but not limited to the Listing Rules, the Securities and Futures Ordinance and the labour legislation in Hong Kong such as Employment Ordinance, Minimum Wage Ordinance, Mandatory Provident Fund Schemes Ordinance and the Companies Ordinance, and also comply with legislations in the PRC such as Contract Law, Companies Law, Labour Law, Property Law, Environmental Protection Law as well as foreign exchange control. Throughout the years, the Company keeps abreast in promoting and educating all employees with appropriate knowledge in relevant laws and regulations while carrying out their duties. Through the trainings and effective communication amongst department heads, the Company strives to ensure ongoing compliance.

The Group is committed to environmental protection and believes sustainable development is the key for long-term growth of its business and the society. During the year under review, the Group educated all employees on the importance of environmental protection in its operations and promotes energy saving and emission reduction on construction sites and its' offices, and controlled main contractors to meet the local environment protection policies. The Group will make every endeavor to protect the environment and seek further sustainable improvement.



## Report of the Directors

During the year under review, there was no material non-compliance with relevant rules and regulations, nor were there any reports of material environmental incidents.

### PROPERTY AND EQUIPMENT, AND INVESTMENT PROPERTIES

Details of movements in the property and equipment, and investment properties of the Group during the year under review are set out in Note 6 and Note 7 to the consolidated financial statements respectively.

### SHARE CAPITAL

Details of the movements in the Company's issued share capital during the year under review are set out in Note 21 to the consolidated financial statements.

### RESERVES

Details of the movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity and in Note 41 to the consolidated financial statements respectively.

### DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company had no distributable reserve (2017: Nil).

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro rata basis to existing shareholders.

### RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement of this annual report.

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

### DIRECTORS

The Directors during the year ended 31 December 2018 were as follows:

#### Executive Directors

Mr. Wong Wun Ming (*Chairman*)  
Mr. Huang Qingzhu  
Mr. Huang Lianchun  
Mr. Huang Li Shui

#### Independent Non-Executive Directors

Mr. Lau Kin Hon  
Mr. Chu Kin Wang Peleus (*appointed on 1 November 2016*)  
Dr. Lam, Lee G. (*appointed on 1 September 2018*)  
Mr. Qu Wenzhou (*resigned on 31 August 2018*)  
Mr. Dai Yiyi (*resigned on 1 September 2018*)  
Dr. Wong Tin Yau Kelvin J.P. (*appointed on 1 September 2018 and retired on 6 March 2019*)

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the Independent Non-Executive Directors to be independent.





### **DIRECTORS' SERVICE CONTRACTS**

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years until terminated by not less than three months' notice in writing served by either party on the other. Each of the Executive Directors is entitled to their respective basic salary as agreed with the Company.

Each of the Independent Non-Executive Directors has entered into a service agreement with the Company for a term of two or three years and subject to rotation as required under the articles of association of the Company, the Listing Rules and/or other applicable rules (if re-elected, shall continue thereafter) and termination at any time by either party giving to the other not less than three months' notice in writing or in accordance with the provisions set out in the respective service agreement. Each of the Independent Non-Executive Directors is entitled to their respective annual Directors' fees as agreed with the Company.

The appointments of the Executive Directors and the Independent Non-Executive Directors are subject to the provision of retirement and rotation of Directors under the articles of association of the Company.

No Director has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### **DIRECTORS' REMUNERATION**

The Directors' fees and other emoluments are determined by the Remuneration Committee and approved by the Board with reference to Directors' experience, qualifications, duties, responsibilities involved in the Group, the performance and the results of the Group and also the prevailing market conditions. For the year ended 31 December 2018, none of the Directors has waived or agreed to waive any emoluments. The remuneration, including Directors' fees, amounted to approximately RMB4.5 million for the year under review. For details, please refer to Note 32 to the consolidated financial statements.

### **PERMITTED INDEMNITY PROVISIONS**

The articles of association of the Company provides that every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.



## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2018, the total number of issued shares of the Company was 6,093,451,026 ordinary shares.

As at 31 December 2018, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, are listed as follows:

#### The Company:

Name of Director	Nature of Interest	Total Number of Ordinary Shares <sup>(Note 1)</sup>	Approximate Percentage of Interest in the Company
Mr. Wong Wun Ming	Beneficial owner	13,500,000 shares (L)	0.22%
Mr. Wong Wun Ming	Interest of a controlled corporation <sup>(Note 2)</sup>	5,086,500,000 shares (L)	83.47%

#### Notes:

- (1) The letter "L" denotes a long position in the shares or underlying shares.
- (2) The disclosed interest represents the interest in the Company held by Galaxy Earnest Limited. Galaxy Earnest Limited is wholly-owned by Growing Group Limited, Gainday Holdings Limited, Tin Sun Holdings Limited and Better Luck Group Limited in the respective proportions of 55%, 15%, 15% and 15%. As such, pursuant to the SFO, Growing Group Limited is deemed to have the same interest in the Company in which Galaxy Earnest Limited is currently interested. Mr. Wong Wun Ming owns 100% interest in the issued share capital of Growing Group Limited and therefore he is deemed to be interested in these 5,086,500,000 shares of the Company pursuant to the SFO.

#### Associated Corporation — Galaxy Earnest Limited:

Name of Director	Nature of Interest	Total Number of Ordinary Shares in the Associated Corporation	Approximate Percentage of Interest in the Associated Corporation
Mr. Wong Wun Ming	Interest of a controlled corporation <sup>(Note 1)</sup>	6,050 shares	55.00%
Mr. Huang Qingzhu	Interest of a controlled corporation <sup>(Note 2)</sup>	1,650 shares	15.00%
Mr. Huang Lianchun	Interest of a controlled corporation <sup>(Note 3)</sup>	1,650 shares	15.00%
Mr. Huang Li Shui	Interest of a controlled corporation <sup>(Note 4)</sup>	1,650 shares	15.00%



*Notes:*

- (1) The disclosed interest represents the interest in the associated corporation held by Growing Group Limited, a company which is directly wholly- owned by Mr. Wong Wun Ming.
- (2) The disclosed interest represents the interest in the associated corporation held by Gainday Holdings Limited, a company which is directly wholly- owned by Mr. Huang Qingzhu.
- (3) The disclosed interest represents the interest in the associated corporation held by Tin Sun Holdings Limited, a company which is directly wholly- owned by Mr. Huang Lianchun.
- (4) The disclosed interest represents the interest in the associated corporation held by Better Luck Group Limited, a company which is directly wholly- owned by Mr. Huang Li Shui.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Saved as disclosed under the section headed "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES" in this report, at no time during the year under review were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in the Company or any other body corporate.

## **DIRECTORS' INTERESTS IN ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE**

Save as disclosed under the section headed "RELATED PARTY AND CONNECTED TRANSACTIONS" in this report, no arrangement or contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end or at any time during the year under review.

## **MANAGEMENT CONTRACTS**

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

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

None of the Directors or controlling shareholders of the Company or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group during the year under review.



## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, the total issued share capital of the Company was 6,093,451,026 ordinary shares.

As at 31 December 2018, the interests or short positions of those persons, other than the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company which has been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO, are listed as follows:

Name	Nature of Interest	Total Number of Ordinary Shares <sup>(Note 1)</sup>	Approximate Percentage of Interest in the Company
Galaxy Earnest Limited	Beneficial owner	5,086,500,000 shares	83.47%
Ms. Chen Bihua	Interest of spouse <sup>(Note 2, 3, 4)</sup>	5,100,000,000 shares (L)	83.70%
Haitong Securities Co., Ltd.	Interest of a controlled corporation <sup>(Note 5)</sup>	1,000,000,000 shares (L)	16.41%

#### Notes:

- (1) The letter "L" denotes a long position in the shares or underlying shares.
- (2) Mr. Wong Wun Ming held long interest in 5,100,000,000 shares in the Company, comprising:
  - (a) 13,500,000 shares beneficially owned by him; and
  - (b) 5,086,500,000 shares held by Galaxy Earnest Limited. Galaxy Earnest Limited is owned as to 55% by Growing Group Limited, a company wholly-owned by Mr. Wong Wun Ming. Mr. Wong Wun Ming is therefore deemed to be interested in such 5,086,500,000 shares of the Company pursuant to the Securities and Futures Ordinance.
- (3) Ms. Chen Bihua is the spouse of Mr. Wong Wun Ming and is deemed to be interested in these shares of the Company in which Mr. Wong Wun Ming is interested in pursuant to the Securities and Futures Ordinance.
- (4) Mr. Wong Wun Ming and Ms. Chen Bihua, being controlling shareholders of the Company, have pledged (i) an aggregate of 1,602,948,000 shares registered in the name of Galaxy Earnest Limited, which represents approximately 26.31% of the total issued share capital of the Company, to note holders pursuant to a share charge executed in December 2014 and (ii) an aggregate of 1,000,000,000 shares registered in the name of Galaxy Earnest Limited, which represents approximately 16.4% of the total issued share capital of the Company, to Haitong International Finance Company Limited pursuant to a facility agreement signed in December 2016.
- (5) Haitong Securities Co., Ltd. is deemed to be interested in the 1,000,000,000 shares in which Haitong International Securities Company Limited held as security agent for bondholders pursuant to a share charge executed by Galaxy Earnest Limited in favor of Haitong International Securities Company Limited, details of which are disclosed in the announcement of the Company dated 15 December 2016. Haitong International Securities Company Limited is wholly owned by Haitong International Finance Company Limited, a company wholly-owned by Haitong International (BVI) Limited, which is in turn wholly-owned by Haitong International Securities Group Limited. Haitong International Securities Group Limited is owned as to approximately 61.00% by Haitong International Holdings Limited, which is wholly-owned by Haitong Securities Co., Limited.

Save as disclosed above, as at 31 December 2018, no person, other than the Directors or chief executives of the Company, had any interest or short position in the shares, underlying shares and debentures of the Company which has been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.



## SHARE OPTION SCHEME

The Board adopted a share option scheme (“**Share Option Scheme**”) on 9 October 2009 pursuant to the written resolutions of all shareholders of the Company in order to provide motivation and long-term incentive to the employees of the Group and to retain and attract talents for continual operation and also for further development of the Group’s business. Up to 31 December 2018, no option had been granted under the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out below:

### Purpose of the Share Option Scheme

To recognize and acknowledge eligible participants who have contributed to the Group and to motivate the eligible participants to optimize their performance efficiency for the benefit of the Group and to attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

### Participants of the Share Option Scheme

Any Directors (including Non-Executive Directors and Independent Non-Executive Directors) and any full-time or part-time employees, executives or officers of the Group and any advisors, consultants, suppliers, customers and agents to the Group and such other persons who in the sole opinion of the Board will contribute or have contributed to the Group.

### Total Number of Shares Available for Issue Under the Share Option Scheme and Percentage of Issued Share Capital as at 31 December 2018

600,000,000 shares (approximately 9.84% of total issued share capital).

### Maximum Entitlement of Each Participant Under the Share Option Scheme

In any 12-month period, in aggregate not exceeding 1% of the issued share capital and any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company containing details of such issue such as the identity of the eligible participant and the numbers and terms of the options to be granted and the approval of shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules, with such eligible participant and his associates abstaining from voting.

### Period Within Which the Shares Must Be Taken Up Under an Option

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.

### Amount Payable on Application or Acceptance of the Option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

### Basis of Determining the Exercise Price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

- (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day of the Stock Exchange;



## Report of the Directors

- (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the Shares.

### Remaining Life of the Share Option Scheme

Up to 9 October 2019.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, purchases from the Group's five largest suppliers (excluding land purchases) accounted for less than 30% of the total purchases of the Group.

During the year under review, sales to the Group's five largest customers accounted for less than 30% of the total turnover of the Group.

### RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 40 to the consolidated financial statements of this annual report. There were no related party transactions of the Group which also constitute connected transactions under Chapter 14A of the Listing Rules.

### SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has exercised its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company of 15% and the Company confirms sufficiency of public float as at the date of this annual report.

### SENIOR NOTES

Details of the senior notes issued by the Company are set out in Note 23 to the consolidated financial statements.

### GUARANTEED BONDS DUE 2019

Reference is made to the Company's announcement dated 15 December 2016 (capitalized terms in this paragraph have the same meanings as those defined therein). On 15 December 2016, the Company, together with the Guarantors, entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to act as the exclusive placing agent for the Company in relation to the issue by the Company and the placing on a private placement basis by the Placing Agent of the Bonds upon the terms and subject to the conditions set forth in the Placing Agreement. The Placing Agent shall use its best efforts to place and procure the subscribers to subscribe and pay for the Bonds with an aggregate principal amount of US\$60,000,000. Unless previously redeemed or purchased and cancelled by the Company, the Bonds will be redeemed at their principal amount on an Interest Payment Date in 2019. The net proceeds from the issue of the Bonds is approximately US\$58 million for general corporate purposes of the Group.

On first Closing Date, the Chargor entered into the Share Charge in favour of the Security Agent as agent of the Bondholders, whereby the Chargor, being the controlling shareholder of the Company, undertake with the Security Agent that it shall ensure that at all times the 1,000,000,000 Shares represent no less than 16.41% of the total issued capital of the Company.

Pursuant to the terms of the Bonds, a change of control event occurs if (a) the Chargor ceases to be the controlling shareholder of the Company; or (b) the Personal Guarantors jointly cease to legally or beneficially own 100% of the total issued share capital of the Chargor from time to time; any Bondholder will have the right, at such Bondholder's option, to require the Company to redeem all, but not some only, of their Bonds at 100% of their principal amount together with accrued interest to (but excluding) the date of such early redemption.



### BONDS DUE 2019

Reference is made to the Company's announcements dated 11 January 2018 and 17 January 2018 (capitalized terms in this paragraph have the same meanings as those defined therein). On 11 January 2018, the Company entered into a placing agreement with Head & Shoulders Securities Limited as placing agent pursuant to which the Company issued 11% Bonds due 2019 in an aggregate principal amount of US\$200 million ("**2019 Bonds**"). The 2019 Bonds was issued and listed on SGX-ST on 17 January 2018. The net proceeds from the issue of the Bonds was approximately US\$198.7 million for refinancing certain existing indebtedness of the Group and for general corporate purposes of the Group.

The 2019 Bonds bear an interest rate of 11% per annum payable semi-annually in arrears on 17 July 2018 and 16 January 2019. Subject to certain conditions and exceptions, the terms and conditions of the Bonds in the 2018 Placing Agreement contained certain covenants pursuant to which the Company agreed, among other things:

The 2018 Placing Agreement contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2019 Bonds, when such payments become due, breaches of covenants, breaches of other obligations, insolvency of the Company, cessation of all or a material part of our business, cross default and other events of default specified in the 2018 Placing Agreement. If an event of default occurs, any bondholder may, by written notice to the Company, declare any 2019 Bonds held by such bondholder to be immediately due and payable at principal amount plus any accrued interest to the date of repayment.

Upon the occurrence of a Change of Control Event, any Bondholder will have the right, at such Bondholder's option, to require the Company to redeem all, but not some only, of their Bonds at 101% of their principal amount together with accrued interest to (but excluding) the date of such early redemption.

### BONDS DUE 2020

Reference is made to the Company's announcements dated 12 May 2017 and 18 May 2017 (capitalized terms in this paragraph have the same meanings as those defined therein). On 12 May 2017, the Company entered into a placing agreement (as amended and supplemented from time to time, the "**2017 Placing Agreement**") with Head & Shoulders Securities Limited as placing agent pursuant to which the Company issued 11% Bonds due 2020 in an aggregate principal amount of US\$220 million ("**2020 Bonds**"). The 2020 Bonds was issued and listed on SGX-ST on 18 May 2017. The net proceeds from the issue of the Bonds was approximately US\$216.7 million for refinancing certain existing indebtedness of the Group and for general corporate purposes of the Group.

The 2020 Bonds bear an interest rate of 11% per annum payable semi-annually in arrears. Subject to certain conditions and exceptions, the terms and conditions of the Bonds in the 2017 Placing Agreement contained certain covenants pursuant to which the Company agreed, among other things:

- to ensure that the ratio of consolidated net debt to book equity shall, at any time, be equal to or less than 110%;
- to supply bondholders under the 2020 Bonds with certain compliance certificate within 7 business days of publishing our annual and semi-annual financial statements;
- to use best endeavours to maintain our listing on the HKSE; and
- to use best endeavours to maintain the listing of the Bonds on SGX-ST.



## Report of the Directors

The 2017 Placing Agreement contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2020 Bonds, when such payments become due, breaches of covenants, breaches of other obligations, insolvency of the Company, cessation of all or a material part of our business, cross default and other events of default specified in the 2017 Placing Agreement. If an event of default occurs, any bondholder may, by written notice to the Company, declare any 2020 Bonds held by such bondholder to be immediately due and payable at principal amount plus any accrued interest to the date of repayment.

Upon the occurrence of a certain event of change of control, the bondholder will have the right, at the option of such bondholder, to require the Company to redeem all, but not some only, of their bonds at 101% of their principal amount together with accrued interest (but excluding) the date of such early redemption.

### **DETAILS OF THE TRANSACTIONS IN THE SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES**

#### **Mingfa Group Nanjing Real Estate Co., Ltd.**

Ming Fat Holdings (Hong Kong) Limited (明發集團(香港)有限公司) and Mingfa Group Company Limited (明發集團有限公司) made further capital contribution of USD120 million to the equity capital of Mingfa Group Nanjing Real Estate Co., Ltd. (明發集團南京房地產開發有限公司) in 2018, and following completion of the capital contribution, Ming Fat Holdings (Hong Kong) Limited (明發集團(香港)有限公司) and Mingfa Group Company Limited (明發集團有限公司) holds 30% and 70% interest of Mingfa Group Nanjing Real Estate Co., Ltd. (明發集團南京房地產開發有限公司) respectively.

### **SIGNIFICANT INVESTMENTS**

Saved as those disclosed under the section headed "Management Discussion and Analysis", the Group did not have any significant investments during the year under review.

### **PARTICIPATION IN THE COMMUNITY AND GIVING BACK TO SOCIETY**

The Group has been paying close attention to the needs of the society and the Group is willing to shoulder social responsibilities and make contributions to those in need, particularly in the areas of education and environmental protection.

In 2018, the Group donated a total of approximately RMB1.1 million to various charitable associations in the PRC to support and finance their charitable activities. In future, the Group will continue to make contributions to support charitable activities and to give back to society.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the year under review, the Company redeemed all of the senior notes with the principal amount of US\$100,000,000 which were issued in February 2013.

### **TAXATION**

Details of the taxation of the Group are set out in Note 33 to the consolidated financial statements.

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Shares, they are advised to consult an expert.

### **MATERIAL LITIGATION AND ARBITRATION**

#### **Dispute Relating to Yangcheng Lake Project**

As at the date of this report, no judgment for the appeal was made by People's Court of Suzhou Industry Park since the last disclosure made by the Company in its 2013 annual report.





Details of the dispute have been set out in the Company's annual reports of 2009 to 2015 and in the Company's interim reports of 2010, 2012 to 2013.

### **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES**

On 7 August 2018, the Group completed an acquisition of 50% equity interest in a PRC entity Nanjing Zhaofu International Golf Club Co., Ltd at a cash consideration of approximate RMB210,000,000.

Save for the abovementioned, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2018.

### **SUBSEQUENT EVENTS**

#### **(a) Senior notes and bonds**

*(i) Bonds with principal amount of US\$200,000,000, interest rate at 15 per cent and due date in 2020 ("2020 Bonds")*

On 16 January 2019, the 2020 Bonds were issued.

*(ii) Bonds with principal amount of US\$200,000,000, interest rate at 11 per cent and due date in 2019 ("2019 Bonds")*

The 2019 Bonds were issued on 17 January 2018 and redeemed on 16 January 2019.

#### **(b) Disposal of a subsidiary**

On 4 April 2019, the Group and an independent third party buyer entered into an Equity Transfer and Cooperation Agreement pursuant to which, the Group agreed to sell and the buyer agreed to buy the Group's 51% equity interests in subsidiaries, which have obtained the land use rights in relation to the project sites located in Silianpian District, Wujiang Town, He Country, Maanshan City, Anhui Province of a total gross floor area of 1,888,000 square metres, for the consideration of RMB2,792,000,000. Upon completion of the Equity Transfer, the Group will hold 49% equity interests in these subsidiaries and the Group and the buyer shall cooperate to develop the project. Details are disclosed in the Company's announcement date 4 April 2019.

### **AUDITOR**

Following the passing of an ordinary resolution at the 2015 annual general meeting held on 6 March 2019, BDO Limited was appointed to fill the vacancy arising from the retirement of PricewaterhouseCoopers as the Company's auditor.

The consolidated financial statements for the year ended 31 December 2018 have been audited by BDO Limited who will retire at the conclusion of the forthcoming AGM. A resolution for the re-appointment of BDO Limited as the Company's auditor will be proposed at the forthcoming AGM.

On Behalf of the Board  
**Mingfa Group (International) Company Limited**

**Wong Wun Ming**  
Chairman  
28 June 2019



# Independent Auditor's Report



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## TO THE SHAREHOLDERS OF MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Mingfa Group (International) Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 69 to 211, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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 ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

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

#### *Valuation of Investment Properties*

*(Refer to Note 7 to the consolidated financial statements)*

Based on valuations carried out by an independent qualified valuer, the management estimated the fair value of the Group's investment properties to be approximately RMB10,693,027,000 as at 31 December 2018, with a fair value gain for the year then ended of approximately RMB749,298,000 recorded in the consolidated statement of profit or loss.



## KEY AUDIT MATTERS (continued)

### *Valuation of Investment Properties (continued)*

Valuation of the Group's investment properties is dependent on certain key assumptions and estimations that require significant management judgement. The valuation was inherently subjective due to the significant estimates used and significant changes in these estimates could result in material changes to the valuation of the investment properties.

Our key procedures in relation to the valuation of investment properties included:

- Assessing the appropriateness of the methodologies and reasonableness of the key assumptions and estimations used;
- Checking the appropriateness of the key input data used and determination of fair value;
- Engaging an auditor's expert to assist our assessment on the appropriateness of the methodologies and the reasonableness of the assumptions and estimations adopted in the valuation for estimating the fair value of the investment properties; and
- Evaluation of the competence, capabilities and objectivity of management's expert and auditor's expert.

### *Impairment Assessment of Properties under Development and Completed Properties Held for Sale* (Refer to Notes 11 and 14 to the consolidated financial statements)

The Group had properties under development and completed properties held for sale with aggregate carrying amounts of RMB16,883,863,000 and RMB10,314,214,000 respectively as at 31 December 2018. Estimation of net realisable value of the Group's properties under development and completed properties held for sale involves significant judgements and is critically dependent upon the Group's estimation of the market selling prices and the future costs to completion.

Our major procedures in relation to management's assessments of the net realisable value of properties under development and completed properties held for sale included:

- Assessing, on a sample basis, the reasonableness of the future costs to completion of the properties under development estimated by the management based on the underlying documentation such as approved budgets of development project costs and existing construction contracts;
- Assessing, on a sample basis, the appropriateness of the estimated selling price of the properties used by the management by comparing them to the recently transacted prices and prices of comparable properties in the vicinity of the development projects; and
- Assessing the appropriateness of the basis of the determination of the net realisable value of properties under development and completed properties held for sale, and evaluating the reasonableness and consistency of the key assumptions used by the management.



## OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

## 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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



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

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



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

From the matters communicated with the directors, 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.

### **BDO Limited**

Certified Public Accountants

**Lee Ka Leung, Daniel**

Practising Certificate no. P01220

Hong Kong, 28 June 2019



# Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Note	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
<b>Revenues</b>	5	<b>11,641,880</b>	10,071,416
Cost of sales		<b>(8,319,853)</b>	(7,653,174)
<b>Gross profit</b>		<b>3,322,027</b>	2,418,242
Fair value gains on investment properties	7	<b>749,298</b>	311,966
Other income and other gains and losses	29	<b>(168,202)</b>	192,705
Net impairment loss on financial assets		<b>(154,707)</b>	(2)
Selling and marketing costs		<b>(560,158)</b>	(459,947)
General and administrative expenses		<b>(701,844)</b>	(689,596)
<b>Operating profit</b>		<b>2,486,414</b>	1,773,368
Finance income	31	<b>72,788</b>	100,529
Finance costs	31	<b>—</b>	—
Finance income — net	31	<b>72,788</b>	100,529
Share of results of			
— Associated companies	12	<b>16,701</b>	34,768
— Joint ventures	13	<b>(509)</b>	(9,849)
		<b>16,192</b>	24,919
<b>Profit before income tax</b>	30	<b>2,575,394</b>	1,898,816
Income tax expense	33	<b>(1,286,263)</b>	(713,365)
<b>Profit for the year</b>		<b>1,289,131</b>	1,185,451
<b>Attributable to:</b>			
Equity holders of the Company		<b>855,076</b>	1,024,220
Non-controlling interests		<b>434,055</b>	161,231
		<b>1,289,131</b>	1,185,451
<b>Earnings per share for profit attributable to equity holders of the Company (RMB cents)</b>	35		
— Basic		<b>14.0</b>	16.8
— Diluted		<b>14.0</b>	16.8



# Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2018

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
<b>Profit for the year</b>	<b>1,289,131</b>	1,185,451
<b>Other comprehensive income:</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
— Currency translation differences	<b>1,339</b>	3,585
<i>Item that will not be reclassified subsequently to profit or loss</i>		
— Revaluation deficit upon transfer of an owner-occupied property to an investment property	<b>(589)</b>	(1,093)
<b>Other comprehensive income for the year, net of tax</b>	<b>750</b>	2,492
<b>Total comprehensive income for the year</b>	<b>1,289,881</b>	1,187,943
<b>Attributable to:</b>		
Equity holders of the Company	<b>855,826</b>	1,026,712
Non-controlling interests	<b>434,055</b>	161,231
	<b>1,289,881</b>	1,187,943





# Consolidated Statement of Financial Position

As at 31 December 2018

	Note	As at 31 December	
		2018 RMB'000	2017 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	1,606,743	1,638,606
Investment properties	7	10,693,027	8,567,027
Land use rights	9	461,258	164,699
Goodwill	10	7,169	7,169
Investments in associated companies	12	1,509,279	1,417,372
Investments in joint ventures	13	1,987,909	1,965,796
Deferred income tax assets	25	606,273	529,045
Other financial assets	19	40,550	30,150
Amount due from a joint venture	16	—	274,455
Other receivables	15	106,327	185,086
Prepayments or deposits for land use rights	8	1,046,340	2,526,790
		<b>18,064,875</b>	17,306,195
<b>Current assets</b>			
Land use rights	9	17,357,451	16,592,338
Properties under development	11	16,883,863	14,285,914
Completed properties held for sale	14	10,314,214	9,622,216
Inventories		38,606	41,578
Trade and other receivables and prepayments	15	4,919,969	4,841,047
Contract costs	15	228,475	—
Prepaid income taxes		394,407	459,744
Amounts due from related parties, joint ventures and associated companies	16	1,099,647	571,350
Amounts due from non-controlling interests	17	378,777	256,860
Restricted cash	18	429,621	366,363
Cash and cash equivalents	18	5,263,380	2,849,226
		<b>57,308,410</b>	49,886,636
<b>Total assets</b>		<b>75,373,285</b>	67,192,831



# Consolidated Statement of Financial Position

As at 31 December 2018

	Note	As at 31 December	
		2018 RMB'000	2017 RMB'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	26	14,938,535	12,466,560
Advance proceeds received from customers	24	—	15,720,183
Contract liabilities	24	20,939,040	—
Amounts due to related parties, joint ventures and associated companies	27	6,932,656	5,327,292
Amounts due to non-controlling interests	17	836,285	697,451
Income tax payable		1,895,249	1,619,197
Borrowings	23	8,729,820	10,254,139
Provision for other liabilities and charges	28	64,827	65,064
		<b>54,336,412</b>	46,149,886
<b>Net current assets</b>		<b>2,971,998</b>	3,736,750
<b>Total assets less current liabilities</b>		<b>21,036,873</b>	21,042,945
<b>Non-current liabilities</b>			
Deferred government grants	22	1,429,486	1,641,326
Borrowings	23	2,109,678	2,611,106
Deferred income tax liabilities	25	2,209,896	1,974,243
Other payables	26	—	400,000
		<b>5,749,060</b>	6,626,675
<b>Total liabilities</b>		<b>60,085,472</b>	52,776,561
<b>Net assets</b>		<b>15,287,813</b>	14,416,270



# Consolidated Statement of Financial Position

As at 31 December 2018

	Note	As at 31 December	
		2018 RMB'000	2017 RMB'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	21	536,281	536,281
Reserves		13,422,882	12,932,948
<b>Non-controlling interests</b>	20	<b>13,959,163</b>	13,469,229
		<b>1,328,650</b>	947,041
<b>Total equity</b>		<b>15,287,813</b>	14,416,270

On behalf of the directors

**Wong Wun Ming**  
*Director*

**Huang Lianchun**  
*Director*



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Capital and reserves attributable to equity holders of the Company											
	Share capital	Merger reserve	Share premium	Revaluation surplus	Contributions			Translation reserve	Retained earnings	Total	Non-controlling interests	Total
					from equity holders	Statutory reserves	Other reserves					
RMB'000 (Note 21)	RMB'000 (Note (a))	RMB'000 (Note (b))	RMB'000 (Note (c))	RMB'000 (Note (d))	RMB'000 (Note (e))	RMB'000 (Note (f))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2017</b>	536,281	146,601	631,266	258,943	209,196	125,509	(207,149)	(9,050)	10,750,920	12,442,517	820,232	13,262,749
<b>Comprehensive income</b>												
Profit for the year	—	—	—	—	—	—	—	—	1,024,220	1,024,220	161,231	1,185,451
Other comprehensive income												
— Revaluation deficit upon transfer of an owner-occupied property to an investment property, net of tax	—	—	—	(1,093)	—	—	—	—	—	(1,093)	—	(1,093)
— Currency translation differences	—	—	—	—	—	—	—	3,585	—	3,585	—	3,585
Total comprehensive income for the year	—	—	—	(1,093)	—	—	—	3,585	1,024,220	1,026,712	161,231	1,187,943
<b>Transactions with owners</b>												
Capital injection to subsidiaries by non-controlling interests	—	—	—	—	—	—	—	—	—	—	11,106	11,106
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(45,528)	(45,528)
<b>Balance at 31 December 2017 as originally presented</b>	536,281	146,601	631,266	257,850	209,196	125,509	(207,149)	(5,465)	11,775,140	13,469,229	947,041	14,416,270
Initial application of HKFRS 9 (Note 2(a)(i)(A)(i))	—	—	—	—	—	—	—	—	(365,892)	(365,892)	(55,519)	(421,411)
<b>Restated balance as at 1 January 2018</b>	536,281	146,601	631,266	257,850	209,196	125,509	(207,149)	(5,465)	11,409,248	13,103,337	891,522	13,994,859
<b>Comprehensive income</b>												
Profit for the year	—	—	—	—	—	—	—	—	855,076	855,076	434,055	1,289,131
Other comprehensive income												
— Revaluation deficit upon transfer of an owner-occupied property to an investment property, net of tax	—	—	—	(589)	—	—	—	—	—	(589)	—	(589)
— Currency translation differences	—	—	—	—	—	—	—	1,339	—	1,339	—	1,339
Total comprehensive income for the year	—	—	—	(589)	—	—	—	1,339	855,076	855,826	434,055	1,289,881
<b>Transactions with owners</b>												
Capital injection to subsidiaries by non-controlling interests	—	—	—	—	—	—	—	—	—	—	3,073	3,073
	—	—	—	—	—	—	—	—	—	—	3,073	3,073
<b>Balance at 31 December 2018</b>	536,281	146,601	631,266	257,261	209,196	125,509	(207,149)	(4,126)	12,264,324	13,959,163	1,328,650	15,287,813



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

## Notes:

- (a) Merger reserve represents the aggregate nominal value of share capital/paid-in capital of the subsidiaries acquired by the Company in the reorganisation prior to the listing of the Company on the Stock Exchange. Details of the reorganisation are set out in the prospectus of the Company dated 4 November 2009.
- (b) Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. Under the Companies Law of the Cayman Islands, the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (c) Revaluation surplus of the Group represents the difference between the carrying value and its fair value when owner-occupied properties became investment properties which are being carried at fair value.
- (d) Pursuant to the Deed of Settlement dated on 29 September 2008, the controlling shareholders agreed to waive the amounts due by the Group totalling approximately HK\$238,673,000 (equivalent to RMB209,196,000), which is no longer needed to be paid by the Group.
- (e) Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is based on the figures reported in the statutory financial statements.
- (f) Other reserve represents the difference between the fair value of consideration paid and payable and the carrying amount of net assets attributable to the changes in ownership in the subsidiaries being acquired or disposed from non-controlling interests without change of control.



# Consolidated Statement of Cash Flows

For the year ended 31 December 2018

Year ended 31 December

Note	2018 RMB'000	2017 RMB'000
<b>Operating activities</b>		
Profit before income tax for the year	<b>2,575,394</b>	1,898,816
Adjustments for:		
Interest income	<b>(72,788)</b>	(100,529)
Depreciation	<b>115,421</b>	86,671
Share of results of associated companies	<b>(16,701)</b>	(34,768)
Share of results of joint ventures	<b>509</b>	9,849
Amortisation of land use rights	<b>56,200</b>	11,604
Fair value gains on investment properties	<b>(749,298)</b>	(311,966)
Additional provision for impairment of receivables	<b>154,647</b>	2
Net loss/(gain) from disposal of property, plant and equipment	<b>185</b>	(420)
Net exchange (gain)/loss on cash and borrowings	<b>(207,365)</b>	211,048
Additional provision for delay in delivering properties	<b>13,338</b>	2,448
Loss on disposal of a subsidiary	<b>—</b>	12,489
<b>Operating profit before working capital changes</b>	<b>1,869,542</b>	1,785,244
Properties under development	<b>(1,631,576)</b>	(1,804,183)
Completed properties held for sale	<b>(926,363)</b>	(54,586)
Land use rights	<b>(923,600)</b>	(3,917,125)
Change in restricted cash relating to operating activities	<b>(20,821)</b>	7,556
Contract costs	<b>(66,163)</b>	—
Inventories	<b>3,021</b>	3,004
Trade and other receivables and prepayments	<b>(1,171,250)</b>	(346,460)
Trade and other payables	<b>2,166,472</b>	1,072,093
Contract liabilities	<b>5,218,857</b>	—
Advance proceeds received from customers	<b>—</b>	917,829
Provision for delay in delivering properties	<b>(13,575)</b>	(2,473)
<b>Net cash generated from/(used in) operations</b>	<b>4,504,544</b>	(2,339,101)
Interest received	<b>72,788</b>	100,529
Interest paid	<b>(1,011,172)</b>	(991,569)
Income tax paid	<b>(786,348)</b>	(135,603)
<b>Net cash generated from/(used in) operating activities</b>	<b>2,779,812</b>	(3,365,744)



# Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
<b>Investing activities</b>			
Additions of property, plant and equipment		(30,702)	(41,566)
Additions of investment properties		(669,077)	(46,108)
Net cash advances to related parties		(838)	(298)
Net cash repaid from other parties		—	562,705
Net cash advances made to group companies of non-controlling interests		432,616	(84,630)
Repayment from/(advances to) associated companies		42,586	(259,141)
Loans to joint ventures		(295,590)	(169,238)
Proceeds from sale of property, plant and equipment		13,000	1,431
Proceeds from sale of investment properties		23,593	10,104
Additions of other financial assets	19	(10,400)	(4,000)
Acquisition of subsidiaries, net of cash acquired		(209,896)	(91,517)
Capital injection to an associated company		(80,212)	(55,600)
Disposal of subsidiaries, net of cash disposed		—	53,413
Capital injection to a joint venture		(22,622)	(27,422)
<b>Net cash used in investing activities</b>		<b>(807,542)</b>	<b>(151,867)</b>
<b>Financing activities</b>			
Drawdown of borrowings		2,665,020	4,078,005
Repayments of borrowings		(3,491,591)	(3,023,064)
Net cash advances received from/(repaid to) non-controlling interests		16,917	(31,517)
Net cash advances received from related parties		692,886	630,428
Net cash advances received from a joint venture		634,041	540,923
Net cash advances received from an associated company		278,437	3,927
Net cash advances received from/(repaid to) other parties		202,851	(472,355)
Net cash advances (repaid to)/received from shareholders of associated companies and joint ventures		(340,496)	1,136,705
Net cash advances (repaid to)/received from group companies of non-controlling interests		(196,026)	196,026
(Increase)/decrease in restricted cash relating to financing activities		(42,437)	1,008,948
Capital contribution from non-controlling interests		3,073	11,106
<b>Net cash generated from financing activities</b>		<b>422,675</b>	<b>4,079,132</b>
<b>Effect of foreign exchange rate changes on cash</b>		<b>19,209</b>	<b>(2,433)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,414,154</b>	<b>559,088</b>
Cash and cash equivalents at beginning of the year		2,849,226	2,290,138
<b>Cash and cash equivalents at end of the year</b>	18	<b>5,263,380</b>	<b>2,849,226</b>



# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

Mingfa Group (International) Company Limited (the “Company”) was incorporated in the Cayman Islands on 27 November 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is office of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The principal activities of the Company and its subsidiaries (together, the “Group”) are property development, property investment and hotel operation in the People’s Republic of China (the “PRC”).

The Company’s shares began to list on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 November 2009. Its immediate and ultimate holding company is Galaxy Earnest Limited (incorporated in the British Virgin Islands).

The consolidated financial statements are presented in thousands of Renminbi (RMB’000), unless otherwise stated.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

### (a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and under the historical cost convention, as modified by the revaluation of investment properties and other financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

### (i) Adoption of new/revised HKFRSs — effective 1 January 2018

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)—Int 22	Foreign Currency Transactions and Advance Consideration





## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

*Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

#### A HKFRS 9 — Financial Instruments

##### (i) Classification and measurement of financial instruments

HKFRS 9 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: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings and non-controlling interests as of 1 January 2018 as follows (increase/(decrease)):

	RMB'000
<b>Retained earnings</b>	
Retained earnings as at 31 December 2017	11,775,140
Increase in expected credit losses ("ECLs") in trade receivables	(118,708)
Increase in ECLs in other receivables	(247,184)
<b>Restated retained earnings as at 1 January 2018</b>	<b>11,409,248</b>
<b>Non-controlling interests</b>	
Non-controlling interests as at 31 December 2017	947,041
Increase in ECLs in other receivables	(55,519)
<b>Restated non-controlling interests as at 1 January 2018</b>	<b>891,522</b>



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

##### A HKFRS 9 — Financial Instruments (continued)

##### (i) Classification and measurement of financial instruments (continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss (“FVTPL”), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group’s accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group’s classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost (“amortised costs”); (ii) financial assets at fair value through other comprehensive income (“FVTOCI”); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “SPPI criterion”). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

##### A HKFRS 9 — Financial Instruments (continued)

##### (i) Classification and measurement of financial instruments (continued)

A debt investment is measured at FVTOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

**Amortised cost** Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

**FVTOCI (equity instruments)** Equity investments at FVTOCI are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

##### A HKFRS 9 — Financial Instruments (continued)

##### (i) Classification and measurement of financial instruments (continued)

- (l) As of 1 January 2018, certain unquoted equity investments were reclassified from available-for-sale financial assets at fair value to FVTOCI. These unquoted equity instrument has no quoted price in an active market. The Group intends to hold these unquoted equity investment for long term strategic purposes. In addition, the Group has designated such unquoted equity instrument at the date of initial application as measured at FVTOCI. The directors consider that there is no opening adjustment is required because these investments were stated at fair value as at 31 December 2017.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at	Carrying amount as at
			1 January 2018 under HKAS 39	1 January 2018 under HKFRS 9
			RMB'000	RMB'000
Other financial assets	Available-for-sale (at fair value) (Note 2(a)(i)A(i)(l))	FVTOCI (equity instrument)	30,150	30,150
Amounts due from related parties, joint ventures and associated companies	Loans and receivables (Note 2(a)(i)A(ii)(l))	Amortised cost	845,805	845,805
Amounts due from non-controlling interests	Loans and receivables (Note 2(a)(i)A(ii)(l))	Amortised cost	256,860	256,860
Trade and other receivables (excluding non-financial assets of RMB1,999,106,000)	Loans and receivables (Notes 2(a)(i)A(ii)(l) and (l))	Amortised cost	3,027,027	2,605,616
Restricted cash	Loans and receivables	Amortised cost	366,363	366,363
Cash and cash equivalents	Loans and receivables	Amortised cost	2,849,226	2,849,226



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

##### A HKFRS 9 — Financial Instruments (continued)

##### (ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for financial assets at amortised costs, earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

##### Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

##### A HKFRS 9 — Financial Instruments (continued)

#### (ii) Impairment of financial assets (continued)

##### Measurement of ECLs (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

##### A HKFRS 9 — Financial Instruments (continued)

#### (ii) Impairment of financial assets (continued)

##### Impact of the ECLs model

#### (I) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance for trade receivables as at 1 January 2018 was determined as follows:

1 January 2018	Within 90 days past due	Over 90 days and within 1 year past due	Over 1 year and within 2 years past due	Over 2 years past due	Total
Expected credit loss rate (%)	2.1%	14.5%	26.4%	85.2%	—
Gross carrying amount (RMB)	86,386,000	105,087,000	111,892,000	144,012,000	447,377,000
Loss allowance (RMB)	1,854,000	15,284,000	29,580,000	122,676,000	169,394,000

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were RMB118,708,000 (Note 3(b)). The loss allowances decreased for RMB4,766,000 (Note 3(b)) for trade receivables during the year ended 31 December 2018.

#### (II) Impairment of other receivables, amounts due from related parties, joint ventures, associated companies and non-controlling interests

For other financial assets carried at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost. Applying the ECLs model on other receivable result in the recognition of ECLs of RMB302,703,000 (Note 3(b)) on 1 January 2018 and a further ECLs of RMB159,473,000 (Note 3(b)) for the year ended 31 December 2018. The loss allowance on amounts due from related parties, joint ventures, associated companies and non-controlling interests by applying ECLs model on 1 January 2018 and for the year ended 31 December 2018 is immaterial.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

##### A HKFRS 9 — Financial Instruments (continued)

##### (iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

##### (iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the “DIA”):

- The determination of the business model within which a financial asset is held; and
- The designation of certain investments in equity investments not held for trading as at FVTOCI.

##### B HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”)

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15, if any, as an adjustment to the opening balance of equity as at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by practical expedient in HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.





## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

##### B HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) (continued)

Management of the Company reviewed the business model of the Group and contracts with customers and concluded that except for the reclassification of receipt in advances from customer under other payables and deposits received in respect of pre-sale of properties as contract liabilities as at 1 January 2018 due to new terminology used under HKFRS 15, and cost to obtain contracts are capitalised as contract costs and recognised as expense in the periods in which the related revenue is recognised whereas previously such costs were recognised as prepaid expenses, the initial application of HKFRS 15 does not have significant impact on the Group. Management of the Company also consider that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised for contracts with customers from:

- (i) property development;
- (ii) hotel operation; and
- (iii) property management.

Impact (increase/(decrease)) on the consolidated statement of financial position by the application of HKFRS 15 as of 1 January 2018 are summarised as below. Line items that were not affected by the changes have not been included. There is no impact on retained earnings of transition to HKFRS 15 as at 1 January 2018.

	RMB'000
<b>Current assets</b>	
Trade and other receivables and prepayments	(162,312)
Contract costs	162,312
	—
<b>Current liabilities</b>	
Advance proceeds received from customers	(15,720,183)
Contract liabilities	15,720,183
	—

For further details on the Group's accounting policy for revenue recognition, see accounting policy for revenue from contracts with customers in Note 2(v).



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

##### B HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) (continued)

The following table summarises the impacts for each line items affected when applying HKFRS 15 on the Group’s consolidated statement of financial position as at 31 December 2018. Line items that were not affected by the changes have not been included.

	Notes	As reported under HKFRS 15 RMB’000	Adjustments RMB’000	Amount without application of HKFRS 15 RMB’000
<b>Current assets</b>				
Trade and other receivables and prepayments	(a)	—	(228,475)	228,475
Contract costs	(a)	228,475	228,475	—
		228,475	—	228,475

	Notes	As reported under HKFRS 15 RMB’000	Adjustments RMB’000	Amount without application of HKFRS 15 RMB’000
<b>Current liabilities</b>				
Advance proceeds received from customers	(b)	—	(20,939,040)	20,939,040
Contract liabilities	(b)	20,939,040	20,939,040	—
		20,939,040	—	20,939,040

#### Notes:

- (a) Previously, the Group includes prepaid sales commission and other incremental costs of obtaining a contract in “Trade and other receivables and prepayment”. Upon application of HKFRS 15, the Group considered that the amount should be classified as “Contract costs” since these costs would not have been incurred if the relevant contracts with customers had not been obtained.
- (b) Previously, the Group includes advance consideration received from customers in “Advance proceeds received from customers”. Upon application of HKFRS 15, the Group considered the amount should be classified as “Contract liabilities” because the Group has an obligation to transfer the assets to the buyers in accordance with the sale and purchase agreements.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

##### B HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) (continued)

There was no significant effect from adoption of HKFRS 15 on the consolidated statement of profit or loss and other comprehensive income, and consolidated statement of cash flows for the year ended 31 December 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

#### (i) Timing of revenue recognition

The Group has determined that under the sale and purchase agreement of properties with customer, there is only one performance obligation.

In prior reporting periods, the Group recognised sales of properties when the respective properties have been completed and delivered to buyers.

Under HKFRS 15, revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of contract and laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group’s performance:

- Provides all the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

For the year ended 31 December 2018, the Group has assessed that there is no enforceable right to payment from the customers for performance completed to date. As such, the Group has concluded that the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

##### *B HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) (continued)*

#### (ii) Costs incurred to obtain a contract

The Group has incurred the sales commission to sales agent associated with obtaining contract. These selling and marketing costs are charged to profit or loss when the revenue from the property sale is recognised. The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year. Prepaid sales commission of RMB162,312,000 that were previously classified under “Trade and other receivables and prepayments” has been reclassified to contract costs as at 1 January 2018. The adoption of HKFRS 15 has had no significant impact on the opening retained earnings as at 1 January 2018.

#### (iii) Significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects of a financing component, if significant. Receipts in advance of RMB15,720,183,000 that were previously classified under “Advance proceeds received from customers” has been reclassified to contract liabilities as at 1 January 2018. The adoption application of HKFRS 15 had no significant impact on the opening retained earnings as at 1 January 2018 as there was no significant financing component arising from the receipts in advance.

##### *Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)*

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

##### *Amendments to HKAS 40, Investment Property — Transfers of Investment Property*

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (i) Adoption of new/revised HKFRSs — effective 1 January 2018 (continued)

##### *HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration*

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

#### (ii) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
HKFRS 16	Leases <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations <sup>1</sup>
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements <sup>1</sup>
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes <sup>1</sup>
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs <sup>1</sup>
Amendments to HKAS 19	Employee Benefits <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>3</sup> Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

<sup>4</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (ii) *New/revised HKFRSs that have been issued but are not yet effective (continued)*

##### *Amendments to HKFRS 9 — Prepayment Features with Negative Compensation*

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met — instead of at FVTPL.

##### *HKFRS 16 — Leases*

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

##### *Impact on adoption*

Currently the Group classifies leases into operating leases, and accounts for the lease arrangement according to the nature of the lease. The Group enters into leases as the lessee and lessor.

HKFRS 16 will primarily affect the Group’s accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of comprehensive income over the period of the lease. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (ii) *New/revised HKFRSs that have been issued but are not yet effective (continued)*

##### *HKFRS 16 — Leases (continued)*

##### *Impact on adoption (continued)*

HKFRS 16 is effective for annual period beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment. The Group has not yet decided whether it will choose to take advantage of this practical expedient, and which transition approach to be taken.

##### *HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments*

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

##### *Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures*

The amendment clarifies that HKFRS 9 applies to long-term interests (“LTI”) in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (ii) *New/revised HKFRSs that have been issued but are not yet effective (continued)*

##### *Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

##### *Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

##### *Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

##### *Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.





## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (ii) *New/revised HKFRSs that have been issued but are not yet effective (continued)*

##### *Amendments to HKAS 19 – Employee Benefits*

The amendments clarify that (a) on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period; and (b) the effect of the asset ceiling cost is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

##### *Amendments to HKFRS 3 — Definition of Business*

The 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.

##### *Amendments to HKAS 1 and HKAS 8 — Definition of Material*

The amendments to HKAS 1 and HKAS 8 provide a new definition of material. The 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.

##### *Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### (ii) *New/revised HKFRSs that have been issued but are not yet effective (continued)*

Except for the possible impacts of adoption of HKFRS 16 as discussed above, the Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

### (b) Subsidiaries

#### (i) *Consolidation*

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group (or to the controlling shareholders under merger accounting). They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between the Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### *Business combinations*

The Group applies the acquisition method to account for business combinations except for those acquisitions which are qualified as business combination under common control and are accounted for using the merger accounting.

Under the acquisition method of accounting, the consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Subsidiaries (continued)

#### (i) Consolidation (continued)

##### *Business combinations (continued)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

Under the merger accounting, the net assets of combining entities or businesses are combined using the existing book value from the controlling parties' perspective. The results are combined from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is at a later date, regardless of the date of the common control combination.

##### *Changes in ownership interests in subsidiaries without change of control*

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Subsidiaries (continued)

#### (i) Consolidation (continued)

##### *Disposal of subsidiaries*

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

It means the amounts previously recognised in other comprehensive income are classified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

#### (ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment test is performed according to Note 2(j).

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

### (c) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill identified on acquisition (see Note 2(k)), net of any accumulated impairment losses.

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Associated companies (continued)

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated companies is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associated companies' in the consolidated statement of profit or loss.

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

### (d) Joint arrangements

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. There are two types of joint arrangements: joint operations and joint ventures. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

#### • *Joint ventures*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

Investment in a joint venture is accounted for using the equity method of accounting. The interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The consolidated statement of financial position includes the Group's share of the net assets of the joint ventures and goodwill identified on acquisition (see Note 2(k)) net of any accumulated impairment losses.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Joint arrangements (continued)

#### • *Joint operations*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

In respect of the Group's interest in a joint operation, the Group recognised in its consolidated financial statements, on a line-by-line basis with similar items, its share of any assets, classified according to the nature of the assets; any liabilities that it has incurred; its share of any liabilities incurred jointly with the other operators in relation to the joint operation; any income from the sale or use of its share of the output of the joint operation, together with its share of any expense incurred by the joint operation; and any expense that it has incurred in respect of its interest in the joint operation.

### (e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

### (f) Foreign currency translation

#### (i) *Functional and presentation currency*

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

#### (ii) *Transactions and balances*

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Foreign currency translation (continued)

#### (iii) Group companies

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

- Assets and liabilities are translated at the closing rate at the end of reporting period;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings comprise hotel buildings and self-use buildings.

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	20–40 years
Machinery	5–20 years
Furniture and office equipment	5 years
Motor vehicles	5 years
Building improvements	5–15 years

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recorded in the consolidated statement of profit or loss.

### (h) Assets under construction

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment or to other non-current assets.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.





## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings owned by the Group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Property that is currently being constructed or developed for future use as an investment property is classified as investment property and stated at fair value. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed, whichever is earlier. Any difference between the fair value of the property at that date and its then carrying amount shall be recognised in the consolidated statement of profit or loss.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as income approach or discounted cash flow projections. These valuations are performed at the end of reporting period by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

Changes in fair values of investment properties are recognised in the consolidated statement of profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Investment properties (continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised as other comprehensive income and recorded in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised as profit or loss in the consolidated statement of profit or loss. On subsequent disposal of the investment property, the revaluation surplus included in equity is transferred to retained earnings directly and not made through profit or loss.

For a transfer from properties under development or completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its then carrying amount is recognised in the consolidated statement of profit or loss.

Investment properties are derecognised when they have been disposed. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of profit or loss within net gains or losses from fair value adjustments on investment properties.

### (j) Impairment of investments in subsidiaries, associated companies, joint ventures, joint operations and non-financial assets

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

### (k) Goodwill

Goodwill arises on the acquisition of subsidiaries, associated companies and joint ventures and represents the excess of the consideration transferred, the amount of the non-controlling interest in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Goodwill (continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### (l) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

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

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

### (m) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

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

### (n) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

For derivative financial instruments which do not qualify for hedge accounting, changes in fair value are recognised immediately in profit or loss.

### (o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p)A Financial instruments (accounting policies applied from 1 January 2018)

#### (i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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 market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

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

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

**FVTOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p)A Financial instruments (accounting policies applied from 1 January 2018) (continued)

#### (i) Financial assets (continued)

##### *Equity instruments*

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

#### (ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p)A Financial instruments (accounting policies applied from 1 January 2018) (continued)

#### (ii) Impairment loss on financial assets (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

#### (iii) Financial liabilities

The Group classifies its financial liabilities at amortised costs. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

##### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables, borrowings, amounts due to related parties, joint ventures, associated companies and non-controlling interests are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

#### (iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p)A Financial instruments (accounting policies applied from 1 January 2018) (continued)

#### (vi) *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECLs provision measured in accordance with principles of the the accounting policy set out in Note 2(p)A(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

#### (vii) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

### (p)B Financial Instruments (accounting policies applied until 31 December 2017)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p)B Financial Instruments (accounting policies applied until 31 December 2017) (continued)

#### (i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

#### *Loans and receivables*

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised on the trade date — the date on which the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited to the consolidated statement of profit or loss.

Trade and other receivables are included in current assets, except for those with maturities greater than 12 months after the end of reporting period (or greater than normal operating cycle of the business if longer) which are classified as non-current assets.





## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p)B Financial Instruments (accounting policies applied until 31 December 2017) (continued)

#### (i) Financial assets (continued)

##### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity has the positive intention and ability to hold to maturity.

Held-to-maturity investments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of held-to-maturity investments is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of contractual agreements. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months after the end of reporting period which are classified as current assets.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories of financial assets. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Interest on available-for-sale securities calculated using the effective interest method is recognised in consolidated statement of profit or loss. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established. Fair value adjustments on available-for-sale financial assets are recognised as other comprehensive income and accumulated within equity.

#### (ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p)B Financial Instruments (accounting policies applied until 31 December 2017) (continued)

#### (ii) Impairment loss on financial assets (continued)

##### *For Loans and receivables or Held-to-maturity investments*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

##### *For Available-for-sale financial assets*

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

#### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p)B Financial Instruments (accounting policies applied until 31 December 2017) (continued)

#### (iii) *Financial liabilities (continued)*

##### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables, borrowings and amounts due to related parties, joint ventures, associated companies and non-controlling interests are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### (iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### (vi) *Financial guarantee contracts*

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the consolidated statement of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expired.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p)B Financial Instruments (accounting policies applied until 31 December 2017) (continued)

#### (vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

#### (q) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and deposits held at call with banks, and are grouped with bank overdrafts in the consolidated statement of cash flows. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities. Restricted cash is excluded from cash and cash equivalents.

#### (r) Borrowings

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

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

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity in which case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries/ associated companies/joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Employee benefits

#### (i) Employee leave entitlements

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

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

#### (ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Provisions and contingent liabilities

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

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

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

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

### (v) Revenue recognition (accounting policies applied from 1 January 2018)

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, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Revenue recognition (accounting policies applied from 1 January 2018) (continued)

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

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 amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment 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.

#### (i) Sales of properties

Revenue from sale of properties developed for sale in the PRC in the ordinary course of business is recognised at the point in time when control of completed property is transferred to the customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable. No revenue is recognised over time since the contract does not give the Group an enforceable right to payment for performance completed to date.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities. There is generally only one performance obligation and the consideration include no variable amount.

#### (ii) Rental income

Rental income from properties under operating leases is recognised on a straight line basis over the lease terms. Guaranteed rental income exceeding the actual amount is recognised when the collectability is reasonably assured.

#### (iii) Hotel operating income

Revenue from hotel room rental and food and beverages sales is recognised when the relevant services have been rendered.

#### (iv) Sales of construction materials

Customers obtain control of the construction materials when the construction materials are delivered to and have been accepted. Revenue is thus recognised when the customers accepted the construction materials. There is generally only one performance obligation.





## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Revenue recognition (accounting policies applied from 1 January 2018) (continued)

#### (v) *Interest income*

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

#### (vi) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

### (w) Revenue recognition (accounting policies applied until 31 December 2017)

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities, net of returns and discounts. Revenues are recognised as follows:

#### (i) *Sales of properties*

Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of related receivables is reasonably assured. 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.

#### (ii) *Rental income*

Rental income from properties under operating leases is recognised on a straight line basis over the lease terms. Guaranteed rental income exceeding the actual amount is recognised when the collectability is reasonably assured.

#### (iii) *Hotel operating income*

Hotel operating income is recognised when the services are rendered.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (w) Revenue recognition (accounting policies applied until 31 December 2017) (continued)

#### (iv) Sales of construction materials

Revenue from sales of construction materials is recognised when the risks and rewards of construction materials are transferred to the purchasers.

#### (v) Interest income

Interest income is recognised on a time-proportion basis using effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### (vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

### (x) Contract liabilities (accounting policies applied from 1 January 2018)

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (y) Contract costs (accounting policies applied from 1 January 2018)

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalized as inventories or property, plant and equipment.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to subcontractors). Other costs of fulfilling a contract, which are not capitalized as inventories, or property, plant and equipment, are expensed as incurred.

Capitalised contract costs are stated as cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of goods or services to which the costs relate. The accounting policy for revenue recognition is set out in note 2(v).

### (z) Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as income in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss on a straight line basis over the expected lives of the related assets.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (aa) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

#### (i) *The Group is the lessee other than operating lease of land use rights*

Payments made under operating leases (net of any incentives received from the lessor), are charged as expense to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

#### (ii) *The Group is the lessee under operating lease of land use rights*

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development or assets under construction. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the consolidated statement of profit or loss. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold, or transferred to investment properties or investment properties under construction when applicable.

#### (iii) *The Group is the lessor*

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets.

### (ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.



### 3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk including foreign exchange risk, cash flow and fair value interest rate risk, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (a) Market risk

##### (i) Foreign exchange risk

The Group's business is principally conducted in RMB, except that certain receipts of sales proceeds and certain fundings are in other foreign currencies, mainly in Hong Kong dollar ("HKD") and United States dollar ("USD").

The Company and most of its subsidiaries' functional currency is RMB, so the bank balances, certain balances with related parties and certain borrowings denominated in foreign currencies are subject to translation at each reporting date. Fluctuation of the exchange rates for RMB against foreign currencies could affect the Group's results of operations. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

The carrying amounts of the Group's foreign currency denominated non-derivative monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
USD	5,180	207,931	3,499,911	2,658,722
HKD	341,421	637,481	553,603	1,035,243



### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (a) Market risk (continued)

##### (i) Foreign exchange risk (continued)

The following table indicates the approximate change in the Group's profit after income tax and retained earnings and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit for the year and other equity where the RMB weakens against the relevant currency. For a strengthening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year and other equity, and the balances below would be negative.

	Increase in foreign exchange rates	Decrease in profit after income tax RMB'000
<b>As at 31 December 2018</b>		
USD	5%	(172,374)
HKD	5%	(5,883)
<b>As at 31 December 2017</b>		
USD	5%	(122,414)
HKD	5%	(15,982)

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the periods until the next annual reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis as 2017.



## 3 FINANCIAL RISK MANAGEMENT (continued)

### (a) Market risk (continued)

#### (ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits with stable interest rates (Note 18), the advances to certain other parties (Note 15), an amount due from a joint venture (Note 16), and amount due from a non-controlling interest (Note 17), the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 23.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates because the interest rates are not expected to change significantly.

As at 31 December 2018, if interest rates on borrowings at floating rates had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB4,673,000 (2017: RMB6,297,000) lower/higher.

### (b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of restricted cash, cash and cash equivalents, trade and other receivables and amounts due from related parties, joint ventures, associated companies and non-controlling interests included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The credit risk on financial guarantees provided to the customers in respect of mortgage loan is limited because the related properties can be resold in the market if the customers fail to repay the mortgage loans.

Cash transactions are limited to high-credit-quality financial institutions. Management does not expect any losses from non-performance of these counterparties.

The Group has policies in place to ensure that sales of properties are made to purchasers with an appropriate financial strength and appropriate percentage of down payment. Credit is normally granted to anchor tenants with sufficient financial strength. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Other receivables mainly comprise deposits made to government agencies for property development purposes which are to be recovered upon completion of the development, and advances to business partners for business cooperations. The Group closely monitor these deposits and advances to ensure actions taken to recover these balances in the case of any risk of default. Normally, the Group does not obtain collateral from customers.



### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (b) Credit risk (continued)

The Group applies the simplified approach to account for expected credit losses prescribed by HKFRS 9, which permit the use of the lifetime expected credit losses. The provision rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate (%)	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Within 90 days past due	3.6%	65,185	2,324
Over 90 days and within 1 year past due	17.8%	81,343	14,489
Over 1 year and within 2 years past due	35.7%	54,889	19,569
Over 2 years past due	59.3%	216,135	128,246
		417,552	164,628

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 2(p)B(ii)). At 31 December 2017, trade receivables were determined to be impaired at RMB50,686,000. The ageing analysis of trade debtors that were not considered to be impaired as follows:

	2017 RMB'000
Within 90 days past due	86,386
Over 90 days and within 1 year past due	105,087
Over 1 year and within 2 years past due	111,892
Over 2 years past due	93,326
	396,691

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.





### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (b) Credit risk (continued)

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in provision for impairment of trade receivables is as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance	50,686	50,684
Effect of adoption of HKFRS 9 (Note 2(a)(i)A(ii)(I))	118,708	—
Net impairment loss on financial assets	(4,766)	2
Ending balance	164,628	50,686

Since 1 January 2018, the Group has applied the general approach to provide for expected credit loss of the financial assets measured at amortised cost including other receivables. The Group assessed that the credit standing of the tenor of such receivables is short. And of the deposits, in situation of a default, the Group might reduce the loss by negotiating settlement based on obtaining a right or use over lease assets.

Movement in provision for impairment of other receivables is as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance	—	—
Effect of adoption of HKFRS 9 (Note 2(a)(i)A(ii)(II))	302,703	—
Net impairment loss on financial assets	159,473	—
Ending balance	462,176	—

For the amounts due from related parties, joint ventures, associated companies and non-controlling interests of subsidiaries, the Group considered the ECLs impairment was insignificant as there have been continuous payments with no history of default.



# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, internally generated sales proceeds and through an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at 31 December 2018</b>					
Borrowings	8,729,820	1,656,043	335,774	117,861	10,839,498
Interest payments on borrowings (Note)	503,295	85,521	49,918	3,002	641,736
Trade and other payables	14,938,535	—	—	—	14,938,535
Amounts due to related parties, joint ventures and associated companies	6,932,656	—	—	—	6,932,656
Amounts due to non-controlling interests	836,285	—	—	—	836,285
Financial guarantees	5,448,321	—	—	—	5,448,321
	<b>37,388,912</b>	<b>1,741,564</b>	<b>385,692</b>	<b>120,863</b>	<b>39,637,031</b>
<b>As at 31 December 2017</b>					
Borrowings	10,254,139	2,015,069	358,418	237,619	12,865,245
Interest payments on borrowings (Note)	761,011	223,848	122,777	12,310	1,119,946
Trade and other payables	12,466,560	400,000	—	—	12,866,560
Amounts due to related parties, joint ventures and associated companies	5,327,292	—	—	—	5,327,292
Amounts due to non-controlling interests	697,451	—	—	—	697,451
Financial guarantees	5,530,125	—	—	—	5,530,125
	<b>35,036,578</b>	<b>2,638,917</b>	<b>481,195</b>	<b>249,929</b>	<b>38,406,619</b>

*Note:* The interest payments on borrowings are calculated based on borrowings held as at 31 December 2018 and 2017 respectively without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2018 and 2017 respectively.



### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (d) Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2018 and 2017 were as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Borrowings	10,839,498	12,865,245
Less: Cash and cash equivalents and restricted cash	(5,693,001)	(3,215,589)
Net debt	5,146,497	9,649,656
Total equity	15,287,813	14,416,270
Total capital	20,434,310	24,065,926
Gearing ratio	25.2%	40.1%

#### (e) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).



### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (e) Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2018. See Note 7 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI	—	—	40,550	40,550

The following table presents the Group's financial assets that are measured at fair value at 31 December 2017. See Note 7 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets	—	—	30,150	30,150

#### (i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### (ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.



### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (e) Fair value estimation (continued)

##### (iii) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the years ended 31 December 2018 and 2017:

	Financial assets at FVTOCI	Available-for-sale financial assets
	2018 RMB'000	2017 RMB'000
Opening balance	30,150	26,150
Additions	10,400	4,000
Closing balance	40,550	30,150
Total gains or losses for the year included in profit or loss for financial assets at FVTOCI/available-for-sale financial assets held at the end of the year	—	—



# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (continued)

### (f) Financial instruments by category

	As at 31 December	
	2018 RMB'000	2017 RMB'000
<b>Financial assets</b>		
<b>Financial assets at amortised cost</b>		
Trade and other receivables	2,545,345	—
Amounts due from related parties, joint ventures and associated companies	1,099,647	—
Amounts due from non-controlling interests	378,777	—
Restricted cash	429,621	—
Cash and cash equivalents	5,263,380	—
<b>Loans and receivables</b>		
Trade and other receivables	—	3,027,027
Amounts due from related parties, joint ventures and associated companies	—	845,805
Amounts due from non-controlling interests	—	256,860
Restricted cash	—	366,363
Cash and cash equivalents	—	2,849,226
	<b>9,716,770</b>	<b>7,345,281</b>
<b>Available-for-sale financial assets</b>	—	30,150
<b>Financial assets at FVTOCI</b>	<b>40,550</b>	—
<b>Total</b>	<b>9,757,320</b>	<b>7,375,431</b>

	As at 31 December	
	2018 RMB'000	2017 RMB'000
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Borrowings	10,839,498	12,865,245
Trade and other payables (excluding other taxes payable)	14,686,240	12,708,662
Amounts due to related parties, joint ventures and associated companies	6,932,656	5,327,292
Amounts due to non-controlling interests	836,285	697,451
<b>Total</b>	<b>33,294,679</b>	<b>31,598,650</b>



## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### (a) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain, especially on whether the Group is eligible for a lower PRC withholding tax rate of 5% instead of 10% on the applicable unremitted earnings of its PRC entities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

### (b) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies among various tax jurisdictions in cities of the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax. The Group recognised the land appreciation tax of its property projects based on management's best estimates according to its understanding of the tax rules and latest practice of local tax jurisdictions in the cities where the Group's projects are located. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact income tax and deferred income tax provisions in the periods in which such taxes are finalised with local tax authorities.

### (c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(k). The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value is determined by independent valuer. These valuation and calculations require the use of estimate.



## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (d) Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from 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 Group assesses the fair value of its investment properties based on valuations determined by independent professional qualified valuers. The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions are disclosed in Note 7.

### (e) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

### (f) Provision for delay in delivering properties

The Group assesses the obligation for delay in delivering properties brought against the Group by customers and charged the amounts to the consolidated statement of profit or loss. The provision has been estimated according to the relevant terms in contract, by references to the results of rulings by the local court on the similar cases and independent legal advices from lawyers. The assessment requires the use of judgement and estimates.





## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (g) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

### (h) Estimated impairment loss on trade and other receivables

The Group recognises allowance for impairment loss on trade and other receivables when the recoverability of the outstanding debts is uncertain. Such allowance is estimated after taking into account various considerations including the age of the debts, creditworthiness of the debtors, past track records for recovery of debts with similar credit risk characteristics and market conditions. Where the expectation is different from the original estimates, such difference will impact the carrying amounts of receivables and allowance for impairment losses in the period in which such estimate had been changed.

## 5 REVENUES AND SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments:

- (i) the property development segment engages in real estate development, and is further segregated into commercial and residential;
- (ii) the hotel segment engages in hotel operation;
- (iii) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential, hotel and commercial properties.

Other operating segments mainly include investment holding, manufacture and sale of furniture, which are not included within the reportable operating segments, as they are not included in the reports provided to the management. The results of these operations are included in the "all other segments" column.



# Notes to the Consolidated Financial Statements

## 5 REVENUES AND SEGMENT INFORMATION (continued)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects may be measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and interest income) and income taxes are managed on a group basis and are not allocated to operating segments.

Inter-segment revenues are eliminated on consolidation.

The Group's revenue from external customers is derived solely from its operations in the PRC, and no significant non-current assets of the Group are located outside the PRC.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries or non-controlling interests relating to respective segments. They exclude deferred income tax assets, prepaid income taxes and other financial assets.

Segment liabilities comprise operating liabilities. They exclude borrowings, deferred income tax liabilities and income tax payable.

### (a) Segment information

The segment results and other segment items for the year ended 31 December 2018 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	886,739	10,236,879	228,265	285,316	8,287	—	11,645,486
Inter-segment revenues	—	—	(3,606)	—	—	—	(3,606)
Revenues	886,739	10,236,879	224,659	285,316	8,287	—	11,641,880
Operating profit/(loss)	119,487	1,811,678	(26,280)	936,057	(354,528)	—	2,486,414
Finance income — net							72,788
Share of results of associated companies	(273)	(12,571)	—	53,298	(23,753)	—	16,701
Share of results of joint ventures	—	30,348	—	(30,857)	—	—	(509)
Profit before income tax							2,575,394
Income tax expense							(1,286,263)
Profit for the year							1,289,131
<b>Other segment information</b>							
Capital and property development expenditure	221,845	7,360,580	20,500	1,989,147	231	—	9,592,303
Depreciation	17,080	46,157	50,335	1,743	106	—	115,421
Amortisation of land use rights as expenses	—	56,200	—	—	—	—	56,200
Fair value gains on investment properties	—	—	—	749,298	—	—	749,298



# Notes to the Consolidated Financial Statements

## 5 REVENUES AND SEGMENT INFORMATION (continued)

### (a) Segment information (continued)

The segment assets and liabilities as at 31 December 2018 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	4,514,420	93,497,720	2,357,106	12,031,122	15,407,262	(56,972,763)	70,834,867
Associated companies	147,923	104,101	—	1,163,373	93,882	—	1,509,279
Joint ventures	—	39,930	—	1,947,979	—	—	1,987,909
	<b>4,662,343</b>	<b>93,641,751</b>	<b>2,357,106</b>	<b>15,142,474</b>	<b>15,501,144</b>	<b>(56,972,763)</b>	<b>74,332,055</b>
Unallocated:							
Deferred income tax assets							606,273
Prepaid income taxes							394,407
Other financial assets							40,550
Total assets							<b>75,373,285</b>
Segment liabilities	<b>3,343,014</b>	<b>74,510,968</b>	<b>450,668</b>	<b>8,282,843</b>	<b>15,526,099</b>	<b>(56,972,763)</b>	<b>45,140,829</b>
Unallocated:							
Deferred income tax liabilities							2,209,896
Borrowings							10,839,498
Income tax payable							1,895,249
Total liabilities							<b>60,085,472</b>



# Notes to the Consolidated Financial Statements

## 5 REVENUES AND SEGMENT INFORMATION (continued)

### (a) Segment information (continued)

The segment results and other segment items for the year ended 31 December 2017 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	548,616	9,030,119	230,024	257,089	9,397	—	10,075,245
Inter-segment revenues	—	—	(3,829)	—	—	—	(3,829)
<b>Revenues</b>	<b>548,616</b>	<b>9,030,119</b>	<b>226,195</b>	<b>257,089</b>	<b>9,397</b>	<b>—</b>	<b>10,071,416</b>
Operating (loss)/profit	(142,179)	1,345,150	(215)	487,259	83,353	—	1,773,368
Finance income — net							100,529
Share of results of associated companies	(16,133)	—	—	52,160	(1,259)	—	34,768
Share of results of joint ventures	(9,849)	—	—	—	—	—	(9,849)
Profit before income tax							1,898,816
Income tax expense							(713,365)
Profit for the year							1,185,451
<b>Other segment information</b>							
Capital and property development expenditure	132,959	4,531,316	3,021	313,568	157	—	4,981,021
Depreciation	11,244	36,191	36,988	2,140	108	—	86,671
Amortisation of land use rights as expenses	—	11,476	—	—	128	—	11,604
Fair value gains on investment properties	—	—	—	311,966	—	—	311,966



# Notes to the Consolidated Financial Statements

## 5 REVENUES AND SEGMENT INFORMATION (continued)

### (a) Segment information (continued)

The segment assets and liabilities as at 31 December 2017 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	11,088,372	56,297,486	2,396,113	12,545,576	11,329,954	(30,866,777)	62,790,724
Associated companies	196,752	73,121	—	1,041,113	106,386	—	1,417,372
Joint ventures	1,938,374	27,422	—	—	—	—	1,965,796
	13,223,498	56,398,029	2,396,113	13,586,689	11,436,340	(30,866,777)	66,173,892
Unallocated:							
Deferred income tax assets							529,045
Prepaid income taxes							459,744
Other financial assets							30,150
Total assets							67,192,831
Segment liabilities	9,035,960	34,109,112	206,896	7,807,315	16,025,370	(30,866,777)	36,317,876
Unallocated:							
Deferred income tax liabilities							1,974,243
Borrowings							12,865,245
Income tax payable							1,619,197
Total liabilities							52,776,561



## 5 REVENUES AND SEGMENT INFORMATION (continued)

### (b) Revenues

The following summary describes the operations in each of the Group's reportable segments:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customer within the scope of HKFRS 15:		
• Property development — commercial	886,739	548,616
• Property development — residential	10,236,879	9,030,119
• Hotel	224,659	226,195
• Property investment and management — property management fee income	61,804	57,202
• All other segments	8,287	9,397
	<b>11,418,368</b>	9,871,529
Revenue from other sources		
• Property investment and management — rental income	223,512	199,887
	<b>11,641,880</b>	10,071,416

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.



# Notes to the Consolidated Financial Statements

## 5 REVENUES AND SEGMENT INFORMATION (continued)

### (b) Revenues (continued)

In the following tables, revenue is disaggregated by primary geographical market, major products and service and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Property development — commercial		Property development — residential		Hotel		Property investment and management		All other segments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Primary geographical markets												
PRC	886,739	548,616	10,236,879	9,030,119	224,659	226,195	285,316	257,089	8,287	9,397	11,641,880	10,071,416
Major products/services												
Sales of properties	886,739	548,616	10,236,879	9,030,119	—	—	—	—	—	—	11,123,618	9,578,735
Hotel operating income	—	—	—	—	224,659	226,195	—	—	—	—	224,659	226,195
Rental income												
— from investment properties	—	—	—	—	—	—	183,177	169,584	—	—	183,177	169,584
— others	—	—	—	—	—	—	40,335	30,303	—	—	40,335	30,303
Property management fee income	—	—	—	—	—	—	61,804	57,202	—	—	61,804	57,202
Miscellaneous income	—	—	—	—	—	—	—	—	8,287	9,397	8,287	9,397
	886,739	548,616	10,236,879	9,030,119	224,659	226,195	285,316	257,089	8,287	9,397	11,641,880	10,071,416
Timing of revenue recognition												
At a point in time	886,739	548,616	10,236,879	9,030,119	—	—	—	—	8,287	9,397	11,131,905	9,588,132
Transferred over time	—	—	—	—	224,659	226,195	285,316	257,089	—	—	509,975	483,284
	886,739	548,616	10,236,879	9,030,119	224,659	226,195	285,316	257,089	8,287	9,397	11,641,880	10,071,416



# Notes to the Consolidated Financial Statements

## 6 PROPERTY, PLANT AND EQUIPMENT

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
<b>Cost</b>							
As at 1 January 2018	453,789	1,314,377	18,712	105,122	126,779	55,738	2,074,517
Acquisition of subsidiaries (Note 39)	—	58,781	5,149	29,560	134	—	93,624
Additions	13,262	1,393	1,350	9,278	5,419	—	30,702
Transfer upon completion	(300)	—	—	300	—	—	—
Disposals	—	(151)	(6,095)	(1,268)	(3,926)	(9,549)	(20,989)
Transfer to investment properties (Note 7)	—	(29,766)	—	—	—	—	(29,766)
As at 31 December 2018	466,751	1,344,634	19,116	142,992	128,406	46,189	2,148,088
<b>Accumulated depreciation</b>							
As at 1 January 2018	—	(247,628)	(12,631)	(70,254)	(90,915)	(14,483)	(435,911)
Charge for the year	—	(59,629)	(5,798)	(33,516)	(10,472)	(6,006)	(115,421)
Disposals	—	—	1,223	1,097	3,360	1,578	7,258
Transfer to investment properties (Note 7)	—	2,729	—	—	—	—	2,729
As at 31 December 2018	—	(304,528)	(17,206)	(102,673)	(98,027)	(18,911)	(541,345)
<b>Net book value</b>							
As at 31 December 2018	466,751	1,040,106	1,910	40,319	30,379	27,278	1,606,743





## 6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
<b>Cost</b>							
As at 1 January 2017	438,654	1,311,933	18,247	94,099	119,360	161,863	2,144,156
Acquisition of subsidiaries (Note 39)	—	12,768	—	—	—	117	12,885
Additions	15,135	3,255	473	11,342	9,286	2,075	41,566
Disposals	—	(938)	(8)	(200)	(1,749)	—	(2,895)
Disposal of a subsidiary	—	—	—	(119)	(118)	(108,317)	(108,554)
Transfer to investment properties (Note 7)	—	(12,641)	—	—	—	—	(12,641)
As at 31 December 2017	453,789	1,314,377	18,712	105,122	126,779	55,738	2,074,517
<b>Accumulated depreciation</b>							
As at 1 January 2017	—	(193,435)	(11,234)	(61,651)	(81,634)	(11,953)	(359,907)
Charge for the year	—	(55,889)	(1,397)	(9,126)	(10,667)	(9,592)	(86,671)
Disposals	—	—	—	501	1,383	—	1,884
Disposal of a subsidiary	—	—	—	22	3	7,062	7,087
Transfer to investment properties (Note 7)	—	1,696	—	—	—	—	1,696
As at 31 December 2017	—	(247,628)	(12,631)	(70,254)	(90,915)	(14,483)	(435,911)
<b>Net book value</b>							
As at 31 December 2017	453,789	1,066,749	6,081	34,868	35,864	41,255	1,638,606

Depreciation of property, plant and equipment of RMB115,421,000 (2017: RMB86,671,000) has been charged to the consolidated statement of profit or loss.

As at 31 December 2018, certain buildings of RMB381,623,000 (2017: RMB405,405,000) were pledged as collateral for the Group's borrowings (Note 23).

There was no interest capitalised in assets under construction for the year ended 31 December 2018 (2017: Nil).



# Notes to the Consolidated Financial Statements

## 7 INVESTMENT PROPERTIES

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance	8,567,027	8,168,835
Additions	669,077	46,108
Transfer from property, plant and equipment (Note 6)	27,037	10,945
Transfer from land use rights (Note 9)	467,536	3,807
Transfer from completed properties held for sale	236,645	36,563
Fair value gains	749,298	311,966
Revaluation deficit upon transfer of an owner-occupied property to an investment property	(589)	(1,093)
Disposals	(23,004)	(10,104)
Ending balance	10,693,027	8,567,027

The investment properties were revalued on an existing use basis at the end of each reporting period date by Cushman & Wakefield Limited ("C&W"), an independent and professionally qualified valuer. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market. The estimated future development costs of investment properties under construction were deducted when arriving at the fair value of such properties which amounted to RMB730,000,000 as at 31 December 2018 (2017: RMB896,000,000).

The Group's interests in investment properties at their net book values are analysed as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
In the PRC, held on leases of 10–50 years	10,693,027	8,567,027

As at 31 December 2018, investment properties of RMB2,904,500,000 (2017: RMB2,630,500,000) were pledged as collateral for the Group's borrowings (Note 23).



## 7 INVESTMENT PROPERTIES (continued)

### Fair value hierarchy

Description	Fair value measurements at 31 December 2018 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
— Completed investment properties	—	—	9,963,027
— Investment properties under development	—	—	730,000
<b>Total</b>	<b>—</b>	<b>—</b>	<b>10,693,027</b>

Description	Fair value measurements at 31 December 2017 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties located in the PRC:			
— Completed investment properties	—	—	7,671,027
— Investment properties under development	—	—	896,000
<b>Total</b>	<b>—</b>	<b>—</b>	<b>8,567,027</b>

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.



# Notes to the Consolidated Financial Statements

## 7 INVESTMENT PROPERTIES (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2018		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	7,671,027	896,000	8,567,027
Additions	669,077	—	669,077
Transfer from property, plant and equipment (Note 6)	27,037	—	27,037
Transfer from land use rights (Note 9)	467,536	—	467,536
Transfer from completed properties held for sale	236,645	—	236,645
Fair value gains	609,298	140,000	749,298
Revaluation deficit upon transfer of an owner-occupied property to an investment property	(589)	—	(589)
Disposals	(23,004)	—	(23,004)
Transfer from investment properties under development to completed investment properties	306,000	(306,000)	—
Ending balance	9,963,027	730,000	10,693,027
Total gains for the year included in profit or loss under fair value gains on investment properties	609,298	140,000	749,298

	Year ended 31 December 2017		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	7,408,835	760,000	8,168,835
Additions	—	46,108	46,108
Transfer from property, plant and equipment (Note 6)	10,945	—	10,945
Transfer from land use rights (Note 9)	3,807	—	3,807
Transfer from completed properties held for sale	36,563	—	36,563
Fair value gains	222,074	89,892	311,966
Revaluation deficit upon transfer of an owner-occupied property to an investment property	(1,093)	—	(1,093)
Disposals	(10,104)	—	(10,104)
Ending balance	7,671,027	896,000	8,567,027
Total gains for the year included in profit or loss under fair value gains on investment properties	222,074	89,892	311,966



## 7 INVESTMENT PROPERTIES (continued)

### Valuation processes of the Group

The Group's investment properties were valued at 31 December 2018 and 2017 by an independent and professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer, including:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

### Valuation techniques

For completed investment properties, the valuation was determined using the income capitalisation approach which was based on capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.

For investment properties under development, the valuation was based on a direct comparison model taking into account the following estimates (in addition to the inputs noted above):

**Costs to complete** These are largely consistent with internal budgets developed by the Group's finance department, based on management's experience and knowledge of market conditions. Costs to complete also include a reasonable profit margin;

**Completion dates** Properties under development require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.

There were no changes to the valuation techniques during the year.



# Notes to the Consolidated Financial Statements

## 7 INVESTMENT PROPERTIES (continued)

### Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2018 RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	9,963,027	Income capitalisation approach	Rental value	RMB23-610 per month per square metre	The higher the market rent, the higher the fair value
			Term yield	4.00%-7.00%	The higher the term yield, the lower the fair value
			Reversionary yield	5.00%-8.50%	The higher the reversionary yield, the lower the fair value
Investment properties under development	730,000	Direct comparison with estimated costs to complete	Estimated costs to completion	RMB172,800,000	The higher the estimated costs, the lower the fair value
			Direct comparison value	RMB7,780-9,300 per square metre	The higher the direct comparison value, the higher the fair value
			Estimated profit margin required to hold and develop properties to completion	10%-15% of property value	The higher the profit margin required, the lower the fair value

Description	Fair value at 31 December 2017 RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	7,671,027	Income capitalisation approach	Rental value	RMB24-610 per month per square metre	The higher the market rent, the higher the fair value
			Term yield	4.50%-6.00%	The higher the term yield, the lower the fair value
			Reversionary yield	5.00%-8.50%	The higher the reversionary yield, the lower the fair value
Investment properties under development	896,000	Direct comparison with estimated costs to complete	Estimated costs to completion	RMB379,000,000	The higher the estimated costs, the lower the fair value
			Direct comparison value	RMB7,750-9,300 per square metre	The higher the direct comparison value, the higher the fair value
			Estimated profit margin required to hold and develop properties to completion	10%-15% of property value	The higher the profit margin required, the lower the fair value



## 7 INVESTMENT PROPERTIES (continued)

### Information about fair value measurements using significant unobservable inputs (Level 3) (continued)

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment properties under development, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

## 8 PREPAYMENTS OR DEPOSITS FOR LAND USE RIGHT

The Group had made prepayments or deposits for acquisition of certain land use rights, the ownership certificates of which have not been obtained.

## 9 LAND USE RIGHTS

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance	16,757,037	13,366,353
Additions	3,693,535	5,456,194
Acquisition of a subsidiary (Note 39)	355,030	197,912
Amortisation		
— capitalised in properties under development	(966,373)	(1,009,993)
— recognised as expenses	(56,200)	(11,604)
Transfer to cost of sales	(1,501,765)	(1,219,613)
Transfer to investment properties (Note 7)	(467,536)	(3,807)
Disposal of a subsidiary	—	(22,628)
Exchange differences	4,981	4,223
Ending balance	17,818,709	16,757,037
Land use rights		
— relating to property, plant and equipment under non-current assets	461,258	164,699
— relating to properties developed for sale under current assets	17,357,451	16,592,338
	17,818,709	16,757,037

Land use rights comprise cost of acquiring rights to use certain land, which are all located outside Hong Kong and primarily in mainland China for property development over fixed periods.

Amortisation of land use rights of RMB56,200,000 (2017: RMB11,604,000) has been charged to the general and administrative expenses.

As at 31 December 2018, land use rights of RMB3,587,102,000 (2017: RMB4,586,121,000) were pledged as collateral for the Group's borrowings (Note 23).



# Notes to the Consolidated Financial Statements

## 10 GOODWILL

Goodwill arising from acquisitions:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance	7,169	7,169
Impairment of goodwill recognised as expenses (Note)	—	—
Ending balance	7,169	7,169

*Note:* The goodwill is impaired when the underlying properties are sold or transferred to investment properties. The goodwill impairment, if any, was included in "General and administrative expenses" in the consolidated statement of profit or loss.

### Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Property development	7,169	7,169

The recoverable amount of a CGUs is determined based on the higher of the fair value (less cost to sell) of the related properties or its value-in-use estimate.

## 11 PROPERTIES UNDER DEVELOPMENT

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	13,653,232	11,457,465
Interest capitalised	3,230,631	2,828,449
	<b>16,883,863</b>	14,285,914

The properties under development are all located outside Hong Kong and primarily in mainland China.

As at 31 December 2018, properties under development of RMB2,876,021,000 (2017: RMB1,794,915,000) were pledged as collateral for the Group's borrowings (Note 23).

The capitalisation rate of borrowings was 9.33% for the year ended 31 December 2018 (2017: 7.71%).

As at 31 December 2018, properties under development amount to approximately RMB10,647,402,000 (2017: RMB11,244,531,000) were not expected to be realised within twelve months from the end of the reporting period.





## 12 INVESTMENTS IN ASSOCIATED COMPANIES

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance	1,417,372	1,323,227
Additions	80,212	55,600
Share of results		
— Profit for the year	16,701	34,768
Share of other comprehensive income		
— Exchange differences	(5,006)	3,777
Ending balance	1,509,279	1,417,372

*Nature of investments in associated companies in 2018 and 2017*

Name of entity	Place of business	% of interest held	Measurement method
Eagle Rights Limited ("Eagle Rights")	Japan	33.33%	Equity accounting
Changchun Shimao Mingfa Real Estate Company Limited ("Shimao Mingfa") 長春世茂明發房地產開發有限公司	PRC	37.5%	Equity accounting
Nanjing Software Valley Qichuang Communication Technology Co., Ltd ("Mingfa Tongxin") 南京軟件谷奇創通訊科技有限公司	PRC	49%	Equity accounting
Nanjing Software Valley Information Development Company Limited ("Software Valley Mingfa") 南京軟件谷明發信息科技發展有限公司	PRC	48%	Equity accounting
Zhangchun Yue Yi Real Estate Development Co., Ltd ("Yue Yi")* 長春悅翊房地產開發有限公司	PRC	*37.5%	Equity accounting
Jiangsu Zhuye Construction Technology Development Company Limited ("Jiangsu Zhuye") 江蘇築業建築科技發展有限公司	PRC	30%	Equity accounting
Nanjing Ruijing Real Estate Development Co., Ltd. 南京銳昱房地產開發有限公司	PRC	25%	Equity accounting
Nanjing Tongdao Education Consulting Co., Ltd. 南京同道教育諮詢有限公司	PRC	30%	Equity accounting

\* acquired during the year 2018.



# Notes to the Consolidated Financial Statements

## 12 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

As at 31 December 2018 and 2017, the Group provided guarantees of the following amounts in respect of bank borrowings to its associated companies:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Mingfa Tongxin	400,000	400,000
Software Valley Mingfa	800,000	800,000
<b>Total</b>	<b>1,200,000</b>	<b>1,200,000</b>

### Summarised financial information for the associated companies

Set out below are the summarised financial information for associated companies which are accounted for using the equity method.

### Summarised statement of financial position

	Eagle Rights		Shimao Mingfa		Mingfa Tongxin		Software Valley Mingfa		Yue Yi		Others	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
<b>Assets</b>												
Current assets	113,229	107,033	256,381	733,679	244,481	174,385	763,958	747,710	889,209	—	373,843	200,747
Non-current assets	82,148	84,075	105	107	1,722,864	1,291,858	2,848,490	2,796,697	11,737	—	106,921	5,724
	195,377	191,108	256,486	733,786	1,967,345	1,466,243	3,612,448	3,544,407	900,946	—	480,764	206,471
<b>Liabilities</b>												
Current liabilities	(68,331)	(45,422)	—	(476,573)	(457,651)	(47,422)	(545,844)	(491,521)	(873,537)	—	(345,779)	(108,466)
Non-current liabilities	—	—	—	—	(1,253,000)	(1,173,000)	(1,108,302)	(1,118,302)	—	—	—	—
	(68,331)	(45,422)	—	(476,573)	(1,710,651)	(1,220,422)	(1,654,146)	(1,609,823)	(873,537)	—	(345,779)	(108,466)
<b>Net assets</b>	<b>127,046</b>	<b>145,686</b>	<b>256,486</b>	<b>257,213</b>	<b>256,694</b>	<b>245,821</b>	<b>1,958,302</b>	<b>1,934,584</b>	<b>27,409</b>	<b>—</b>	<b>134,985</b>	<b>98,005</b>



# Notes to the Consolidated Financial Statements

## 12 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

### Summarised statement of profit or loss and other comprehensive income

	Eagle Rights Year ended 31 December		Shimao Mingfa Year ended 31 December		Mingfa Tongxin Year ended 31 December		Software Valley Mingfa Year ended 31 December		Yue Yi Year ended 31 December		Other Year ended 31 December	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Income	26,435	22,558	—	—	48,596	21,628	64,827	46,753	—	—	18,263	—
Expenses	(30,057)	(26,333)	(727)	(120)	(106,685)	(62,670)	(41,109)	(41,077)	(2,585)	—	(53,060)	—
(Loss)/profit after tax	(3,622)	(3,775)	(727)	(120)	(58,089)	(41,042)	23,718	5,676	(2,585)	—	(34,797)	—
Other comprehensive income												
— Exchange differences	(15,018)	11,333	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	(18,640)	7,558	(727)	(120)	(58,089)	(41,042)	23,718	5,676	(2,585)	—	(34,797)	—

The information above reflects the amounts presented in the financial statements of the associated companies, adjusted for differences in accounting policies between the Group and the associated companies, and not the Group's share of those amounts.

### Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interests in associated companies:

	Eagle Rights As at 31 December		Shimao Mingfa As at 31 December		Mingfa Tongxin As at 31 December		Software Valley Mingfa As at 31 December		Yue Yi As at 31 December		Others As at 31 December	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Opening net assets	145,686	138,128	257,213	257,333	245,821	237,900	1,934,584	1,928,908	—	—	98,005	—
Addition	—	—	—	—	68,962	48,963	—	—	29,994	—	71,777	98,005
(Loss)/profit for the year	(3,622)	(3,775)	(727)	(120)	(58,089)	(41,042)	23,718	5,676	(2,585)	—	(34,797)	—
Exchange differences	(15,018)	11,333	—	—	—	—	—	—	—	—	—	—
Closing net assets	127,046	145,686	256,486	257,213	256,694	245,821	1,958,302	1,934,584	27,409	—	134,985	98,005
% of interest held	33.33%	33.33%	37.50%	37.50%	49%	49%	48%	48%	37.5%	—	20-50%	20-50%
Group's interests in associated companies	42,344	48,558	96,182	96,455	125,780	120,452	939,985	928,600	10,278	—	55,404	31,608
Share of profit on profit guarantee agreement (##)	—	—	—	—	—	—	190,746	143,139	—	—	—	—
Goodwill	—	—	48,560	48,560	—	—	—	—	—	—	—	—
Carrying amount	42,344	48,558	144,742	145,015	125,780	120,452	1,130,731	1,071,739	10,278	—	55,404	31,608

## The amount represents the difference between the Group's normal share of the associate's profit, and the actual share of the associate's profit under the guarantee agreement between the Group and the shareholder of the associate.

Refer to this profit guarantee agreement, fixed profit is guaranteed to the Group irrespective of profit or loss of the associated company.



# Notes to the Consolidated Financial Statements

## 13 JOINT ARRANGEMENTS

### (a) Joint ventures

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance	1,965,796	1,948,223
Capital injection to a joint venture (Note)	22,622	27,422
Share of results		
— Loss for the year	(509)	(9,849)
Ending balance	1,987,909	1,965,796

*Note:*

In 2018, the Group obtained 14% equity interest in Suzhou Zhengxin Real Estate Development Company Limited, an unlisted entity incorporated in the PRC, by injecting capital of RMB14,936,000.

In June 2017, the Group obtained 49% equity interest in Changsha Sand Boat Zhangshan Bathut Ole Business Management Co., Ltd (“Changsha Sand Boat”), an unlisted entity incorporated in the PRC, by injecting capital of RMB1,922,000. In 2018, the Group injected capital of RMB7,686,000.

In November 2017, the Group obtained 51% equity interest in Nanjing Guofa Real Estate Co., Ltd (“Nanjing Guofa”), an unlisted entity incorporated in the PRC, by injecting capital of RMB25,500,000.



### 13 JOINT ARRANGEMENTS (continued)

#### (a) Joint ventures (continued)

*Nature of investments in joint ventures in 2018 and 2017*

<b>Name of entity</b>	<b>Place of business</b>	<b>% of interest held</b>	<b>Measurement method</b>
Superb Land Limited ("Superb Land")	Hong Kong	20%	Equity accounting
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. ("Mingfa Technological") 南京明發科技商務城建設發展有限公司	PRC	51%	Equity accounting
Versilcraft Holdings Limited ("Versilcraft")	Italy	33.33%	Equity accounting
Nanjing Guofa Real Estate Co., Ltd. 南京國發置業有限公司	PRC	51%	Equity accounting
Nanjing Ming He De Industrial Co., Ltd 南京明禾德實業有限公司	PRC	50%	Equity accounting
Changsha Sand Boat Zhongmin Baihui Ole Business Management Co., Ltd# 長沙砂之船中閩百匯奧萊商業管理有限公司	PRC	49%	Equity accounting
Suzhou Zhengxin Real Estate Development Co., Ltd.* 蘇州正信置業發展有限公司	PRC	14.44%	Equity accounting
Nanjing Mingfa Tongxing Computer Technology Development Co., Ltd.* 南京明發通興計算機技術發展有限公司	PRC	49%	Equity accounting

The Group has joint control of the above companies with other joint venture partners in accordance with the relevant contractual agreements which decisions about the relevant activities require the unanimous consent of the parties sharing control and accordingly these companies have been accounted for as joint ventures.

\* acquired during the year 2018.

# previously known as Cheungsha Yueshang Business Management Co., Ltd (長沙市悅尚商業管理有限公司).



# Notes to the Consolidated Financial Statements

## 13 JOINT ARRANGEMENTS (continued)

### (a) Joint ventures (continued)

As at 31 December 2018 and 2017, the Group provided guarantee of the following amount in respect of bank borrowing to a joint venture:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Superb Land	256,478	238,277

### Summarised financial information for the joint ventures

Set out below are the summarised financial information for the joint ventures which are accounted for using the equity method and significant to the Group.

### Summarised statement of financial position

	Superb Land As at 31 December		Mingfa Technological As at 31 December		Versilcraft As at 31 December		Others As at 31 December	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
<b>Assets</b>								
Current assets	2,935,216	2,648,449	7,405,020	6,727,722	13,591	14,033	1,475,363	421,156
Non-current assets	—	—	79,033	79,141	33,513	36,756	59,938	380
	2,935,216	2,648,449	7,484,053	6,806,863	47,104	50,789	1,535,301	421,536
<b>Liabilities</b>								
Current liabilities	(1,635,260)	(133,424)	(3,413,823)	(3,006,129)	(37)	(37)	(1,000,303)	(367,614)
Non-current liabilities	(1,299,956)	(2,515,025)	(330,000)	—	(47,067)	(50,752)	(320,000)	—
	(2,935,216)	(2,648,449)	(3,743,823)	(3,006,129)	(47,104)	(50,789)	(1,320,303)	(367,614)
Net assets	—	—	3,740,230	3,800,734	—	—	214,998	53,922



## 13 JOINT ARRANGEMENTS (continued)

## (a) Joint ventures (continued)

*Summarised statement of profit or loss and other comprehensive income*

	Superb Land		Mingfa Technological		Versilcraft		Others	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Income	—	—	126,470	4,984	—	—	76,018	—
Expenses	—	—	(186,974)	(24,295)	—	—	(34,350)	—
(Loss)/profit after tax and other comprehensive income	—	—	(60,504)	(19,311)	—	—	41,668	—

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

Reconciliation of summarised financial information presented to the Group's interest in joint ventures:

	Superb Land		Mingfa Technological		Versilcraft		Others	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Opening net assets	—	—	3,800,734	3,820,045	—	—	53,922	—
(Loss)/profit for the year	—	—	(60,504)	(19,311)	—	—	41,668	—
Capital injection	—	—	—	—	—	—	119,408	53,922
Closing net assets	—	—	3,740,230	3,800,734	—	—	214,998	53,922
% of interest held	20%	20%	51%	51%	33.33%	33.33%	14.44–51%	49–51%
Group's interest in Joint ventures	—	—	1,907,517	1,938,374	—	—	80,392	27,422
Carrying amount	—	—	1,907,517	1,938,374	—	—	80,392	27,422



## 13 JOINT ARRANGEMENTS (continued)

### (b) Joint operation

The Group has a 70% interest in the profits or losses and assets and liabilities of a joint operation located in Xiamen which is engaged in property development and property investment. Powerlong Group Development Co., Ltd (Baolong) has a 30% interest in the project. The following amounts represent the Group's 70% share of the assets and liabilities, and sales and results of the joint operation.

	As at 31 December	
	2018 RMB'000	2017 RMB'000
<b>Assets</b>		
Current	458,496	458,880
Non-current	395,827	389,249
	<b>854,323</b>	848,129
<b>Liabilities</b>		
Current	409,750	424,884
Non-current	177,000	177,000
	<b>586,750</b>	601,884
<b>Net assets</b>	<b>267,573</b>	246,245
	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Income	17,544	15,423
Fair value gains on investment properties	6,578	16,131
Expenses	(2,794)	(1,987)
<b>Profit after income tax</b>	<b>21,328</b>	29,567
Proportionate interest in joint operation's		
— operating lease rentals receivable	5,315	6,556
— financial guarantees	22,627	28,744





## 14 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in mainland China on leases between 40 to 70 years.

As at 31 December 2018, completed properties held for sale of RMB2,623,029,000 (2017: RMB2,178,175,000) were pledged as collateral for the Group's borrowings (Note 23).

As at 31 December 2018, there was no impairment provision made on completed properties held for sale (2017: Nil).

## 15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS/CONTRACT COSTS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Trade receivables	417,552	447,377
Less: Provision for impairment of trade receivables (Note (a))	(164,628)	(50,686)
Trade receivables — net (Note (b))	252,924	396,691
Government grant receivables	60,220	60,220
Other receivables (Note (c))	739,314	781,780
Advances to group companies of non-controlling interests (Note (d))	1,756,222	1,323,606
Less: Provision for impairment of other receivables and advances to group companies of non-controlling interests	(462,176)	—
Other receivables — net	2,093,580	2,165,606
Deposits for resettlement costs	2,687	2,879
Deposits for land purchases	194,827	308,763
Deposit for acquisition of a company	—	152,837
Prepayments for commission fees	—	162,312
Prepayments for construction costs	1,595,254	1,371,966
Prepaid business tax and other levies on pre-sale proceeds	885,697	464,828
Miscellaneous	1,327	251
	5,026,296	5,026,133
Less: Non-current portion of other receivables (Note (e))	(106,327)	(185,086)
Current portion	4,919,969	4,841,047
Contract costs (Note (f))	228,475	—

As at 31 December 2018 and 2017, the fair values of trade receivables, deposits for resettlement costs, land purchases and acquisition of a company, advances to group companies of non-controlling interest, government grant receivables, other receivables and contract costs approximate their carrying amounts.



# Notes to the Consolidated Financial Statements

## 15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS/CONTRACT COSTS

Notes:

(a) Movement in provision for impairment of trade receivables is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance	50,686	50,684
Effect of adoption of HKFRS 9	118,708	—
Net impairment loss recognised during the year	(4,766)	2
	<b>164,628</b>	50,686

(b) Trade receivables are mainly arose from sales of properties, leases of investment properties and property construction. Proceeds in respect of properties sold and leased and property construction are to be received in accordance with the terms of the related sales and purchase agreements, lease agreements and construction agreement.

The ageing analysis of trade receivables (net of impairment losses) of the Group, based on invoice dates, as of the end of the year is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within 90 days	65,185	86,386
Over 90 days and within 1 year	81,343	105,087
Over 1 year and within 2 years	54,889	111,892
Over 2 years	51,507	93,326
	<b>252,924</b>	396,691

(c) The amount mainly comprises general and administrative expenses paid on behalf of the Group's tenants and customers, and refundable workers wages protection fund requested by the related government authorities in the property development industry.

(d) The amount represents advances to group companies of non-controlling interests, which is engaged in property development business and has a long standing business relationship with the Group. The balance is unsecured, interest-free and repayable on demand.

(e) The non-current portion of other receivables comprised the below items:

(i) Pursuant to the agreement entered into between the Group and other parties in October 2015, the Group agreed to purchase 9% equity interest of an insurance company at a cash consideration of RMB90,000,000, which was fully paid in February 2017. Up to the date of this annual report, the transaction has not yet completed and is pending for the approval by the government authority.

(ii) As at 31 December 2017, according to the co-operation agreement dated October 2017, the Group agreed to purchase 50% equity interest of a subsidiary at a cash consideration of RMB210,000,000 in which RMB80,000,000 has been paid by the Group. The transaction was completed in August 2018.

(iii) The remaining balance represents the unsettled proceeds from the sale of a building included in property, plant and equipment which are to be collected over a period of seven years. The receivables were initially recognised at fair value based on cash flows discounted using a rate of 5.94%.

(f) The amount represents commission paid to property agents in PRC in advance after entering into pre-sale agreements and receiving deposits from customers. These payments are expected to be recognised in profit or loss within twelve months from the end of the reporting period at the point in time when the properties are complete and control is transferred to customers.



**16 AMOUNTS DUE FROM RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES**

	As at 31 December	
	2018 RMB'000	2017 RMB'000
<b>Receivables from related parties</b>		
Controlled by the controlling shareholders	2,807	1,969
Associated companies (Note 12)	354,496	397,082
<b>Loan to related parties</b>		
Joint ventures (Note 13)	742,344	446,754
	1,099,647	845,805
Less: Non-current portion comprising loan to Superb Land	—	(274,455)
<b>Current portion</b>	<b>1,099,647</b>	571,350

As at 31 December 2018, except for an amount of RMB306,976,000 due from Superb Land (2017: RMB274,455,000), which carries interest at 2.2% per annum and will be demanded for repayment during the next 12 months, the amounts due from related parties, joint ventures and associated companies are non-trade in nature, unsecured, interest-free and repayable on demand.

The carrying amounts of amounts due from related parties, joint ventures and associated companies approximate their fair values.

As at 31 December 2018, the amounts due from related parties, joint ventures and associated companies were assessed using 12 months ECLs basis as set out in Note 2(a)(i)A(ii)(II) and the provision for impairment were assessed to be immaterial.



## 17 AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

Except for a balance of RMB153,141,000 (2017: RMB85,083,000) due from a non-controlling interest, Xian Gongheng Zhiye Co Ltd. as at 31 December 2018 which is interest bearing at 7.15% per annum, unsecured and mature in 2020, the remaining balance were unsecured, interest-free, repayable on demand and were non-trade in nature.

As at 31 December 2018, the amounts due from non-controlling interests were assessed using 12 months ECLs basis as set out in Note 2(a)(i)A(ii)(II) and the provision for impairment were assessed to be immaterial.

## 18 CASH AND CASH EQUIVALENTS/RESTRICTED CASH

As at 31 December 2018, the Group's cash of approximate RMB429,621,000 (2017: RMB366,363,000) was restricted and deposited in certain banks as security for certain borrowings (Note 23).

The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

## 19 OTHER FINANCIAL ASSETS

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance	30,150	26,150
Addition	10,400	4,000
Ending balance	40,550	30,150
Less: Non-current portion	(40,550)	(30,150)
Current portion	—	—



**19 OTHER FINANCIAL ASSETS (continued)**

	As at 31 December	
	2018 RMB'000	2017 RMB'000
<b>Available-for-sale financial assets — Non-current</b>		
Unlisted equity shares (Note)	—	30,150
<b>Equity investments measured at FVTOCI — Non-current</b>		
Unlisted equity shares (Note)	40,550	—
	<b>40,550</b>	<b>30,150</b>

*Note:* Other financial assets represented unlisted equity investment of 10% in a newly established PRC shareholding limited company engaging in micro-lending businesses and are stated at fair value. There is no significant change in fair value of the financial assets for the years ended 31 December 2018 and 2017 from the investment cost.

**20 NON-CONTROLLING INTERESTS****Material non-controlling interests**

The total non-controlling interests as at 31 December 2018 amounted to RMB1,328,650,000 of which RMB861,832,000 relates to a PRC subsidiary Nanjing Mingmao Real Estate Co., Ltd (“Nanjing Mingmao”) in which the non-controlling interests hold an equity interest of 49%. The other non-controlling interests are not material.

The total non-controlling interest as at 31 December 2017 amounted to RMB947,041,000 of which RMB498,176,000 relates to Nanjing Mingmao in which the non-controlling interests hold an equity interests of 49%. The other non-controlling interests are not material.

Set out below is the summarised financial information for Nanjing Mingmao which have non-controlling interests that is material to the Group for the years ended 2018 and 2017. The financial information represents the amounts before intra-group transactions elimination.



## 20 NON-CONTROLLING INTERESTS (continued)

### Material non-controlling interests (continued)

#### *Summarised statement of financial position*

	Nanjing Mingmao As at 31 December	
	2018 RMB'000	2017 RMB'000
<b>Current</b>		
Assets	6,780,424	4,638,210
Liabilities	(5,036,432)	(3,650,261)
Total current net assets	1,743,992	987,949
<b>Non-current</b>		
Assets	14,849	28,736
Total non-current net assets	14,849	28,736
<b>Net assets</b>	<b>1,758,841</b>	1,016,685

#### *Summarised statement of profit or loss and other comprehensive income*

	Nanjing Mingmao Year ended 31 December	
	2018 RMB'000	2017 RMB'000
<b>Revenue</b>	<b>2,433,583</b>	1,488,379
Profit before income tax	989,543	319,915
Income tax	(247,386)	(99,200)
<b>Post-tax profit and other comprehensive income</b>	<b>742,157</b>	220,715



**20 NON-CONTROLLING INTERESTS (continued)****Material non-controlling interests (continued)***Summarised statement of cash flows*

	<b>Nanjing Mingmao</b>	
	<b>Year ended 31 December</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Cash flows from operating activities:		
Cash generated from/(used in) operations	<b>1,177,981</b>	(131,620)
PRC income tax paid	<b>(122,489)</b>	11,250
<b>Net cash generated from/(used in) operating activities</b>	<b>1,055,492</b>	(120,370)
<b>Net cash generated from/(used in) financing activities</b>	<b>375,438</b>	(56,026)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,430,930</b>	(176,396)
Cash and cash equivalents at beginning of the year	<b>105,452</b>	281,848
Cash and cash equivalents at end of the year	<b>1,536,382</b>	105,452

*Significant restrictions*

Same as all the other PRC subsidiaries of the Group, the cash and cash equivalents amounted to RMB1,536,382,000 as at 31 December 2018 (2017: RMB105,452,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.



# Notes to the Consolidated Financial Statements

## 21 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent RMB
Authorised:			
At 1 January 2017, 31 December 2017 and at 31 December 2018	12,000,000,000	1,200,000,000	
Issued and fully paid:			
At 1 January 2017, 31 December 2017 and at 31 December 2018	6,093,451,026	609,345,103	536,280,877

## 22 DEFERRED GOVERNMENT GRANTS

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance	1,641,326	1,611,659
Addition	—	60,220
Amortisation to the consolidated statement of profit or loss	(211,840)	(30,553)
Ending balance	1,429,486	1,641,326

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Representing:		
Original amount	2,029,657	2,029,658
Accumulated amortisation	(434,562)	(222,722)
Transfer to investment properties	(165,609)	(165,610)
Net book amount	1,429,486	1,641,326

The analysis of government grants received by the Group is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
For the development of property projects	2,029,657	2,029,658





## 23 BORROWINGS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (Note (a))	3,137,813	7,054,638
Bank borrowings — unsecured (Note (a))	184,880	—
Other borrowings — secured (Note (a))	278,636	746,000
Bonds (Note (b))	1,501,268	1,753,969
	<b>5,102,597</b>	9,554,607
Less: Amounts due within one year	<b>(2,992,919)</b>	(6,943,501)
	<b>2,109,678</b>	2,611,106
Borrowings included in current liabilities		
Bank borrowings — secured (Note (a))	3,388,002	1,746,012
Other borrowings — guaranteed and secured (Note (a))	976,259	886,026
Current portion of long-term borrowings (Note (a))	2,992,919	6,943,501
Senior notes and bonds (Note (b))	1,372,640	678,600
	<b>8,729,820</b>	10,254,139

## (a) Details on borrowings

As at 31 December 2018, the Group's certain borrowings of RMB9,086,152,000 (2017: RMB8,559,211,000) were secured by its land use rights (Note 9), properties under development (Note 11) and completed properties held for sale (Note 14).

As at 31 December 2018, the Group's certain borrowings of RMB3,286,123,000 (2017: RMB3,035,905,000) were secured by its buildings (Note 6) and investment properties (Note 7). As at 31 December 2018, the Group's certain borrowings of RMB429,621,000 (2017: RMB366,363,000) were secured by its restricted cash (Note 18).

As at 31 December 2018, the Group's certain borrowings of RMB Nil (2017: RMB100,000,000) were guaranteed by a controlling shareholder.

As at 31 December 2018, the Group's certain borrowings of RMB119,840,000 (2017: RMB1,199,800,000) were guaranteed by the intermediate holding company of a non-controlling interest.



## 23 BORROWINGS (continued)

### (a) Details on borrowings (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity whichever is the earlier date are as follows:

	6 months or less RMB'000	6-12 months RMB'000	1-5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:				
As at 31 December 2018	500,052	59,722	1,549,904	2,109,678
As at 31 December 2017	644,120	213,017	1,753,969	2,611,106
Borrowings included in current liabilities:				
As at 31 December 2018	7,227,145	1,502,675	—	8,729,820
As at 31 December 2017	6,017,180	4,236,959	—	10,254,139

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Borrowings:		
Between 1 and 2 years	1,621,293	587,810
Between 2 and 5 years	386,274	1,785,676
Over 5 years	102,111	237,620
	<b>2,109,678</b>	2,611,106



## 23 BORROWINGS (continued)

### (a) Details on borrowings (continued)

The effective interest rates of the borrowings at 31 December 2018 and 2017 were as follows:

	As at 31 December	
	2018	2017
Bank borrowing	6.52%	6.24%
Other borrowing	8.16%	6.65%
Senior notes and bonds	10.79%	11.36%

The carrying amounts and fair values of non-current borrowings are as follows:

	Carrying amounts RMB'000	Fair values RMB'000
As at 31 December 2018		
Bank borrowings (Note (i))	608,410	617,824
Bonds (Note (i))	1,501,268	1,630,780
	<b>2,109,678</b>	<b>2,248,604</b>
As at 31 December 2017		
Bank borrowings (Note (i))	857,137	879,870
Bonds (Note (i))	1,753,969	1,974,193
	2,611,106	2,854,063

Notes:

- (i) The fair values of non-current borrowings are based on cash flows discounted using rates based on weighted average borrowing rate of 9.53% as at 31 December 2018 (2017: 8.94%).

The fair values of current borrowings equal to their carrying amounts.



## 23 BORROWINGS (continued)

### (b) Senior notes issued on 1 February 2013 ("2018 Notes")

The Company issued US\$100,000,000 senior notes on 1 February 2013 ("February closing date") which were listed on the Stock Exchange. The 2018 Notes bear interest at 13.25% per annum, which is payable semi-annually. The 2018 Notes mature in five years from the February closing date.

At any time and from time to time on or after 1 February 2016, the Company may at its option redeem the 2018 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on 1 February of each of the years indicated below:

Period	Redemption price
2016	106.6250%
2017 and thereafter	103.3125%

At any time and from time to time prior to 1 February 2016, the Company may at its option redeem the 2018 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2018 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

At any time and from time to time prior to 1 February 2016, the Company may redeem up to 35% of the aggregate principal amount of the 2018 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 113.25% of the principal amount of the 2018 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2018 Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The 2018 Notes contain a liability component and the above early redemption options:

- (i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.
- (ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on issue date of the bonds, as at 31 December 2018 and 2017, and is therefore not recognised.



## 23 BORROWINGS (continued)

### (c) Bonds

#### (i) Bonds issued on 15 December 2016 ("2019 Bonds A")

On 15 December 2016, the Company issued US\$60,000,000 bonds. The 2019 Bonds A is interest bearing at 9% per annum and is payable quarterly.

The 2019 Bonds mature in three years from the issue date and shall be redeemed at their principal amount together with accrued and unpaid interest in 2019.

The 2019 Bonds A contain early redemption option. Early redemption option is regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption option is insignificant on issue date of the bonds, as at 31 December 2017 and 2018, and is therefore not recognised.

#### (ii) Bonds issued on 12 May 2017 ("2020 Bonds A")

On 12 May 2017, the Company issued US\$220,000,000 bonds which were listed on Singapore Exchange Securities Trading Limited. The 2020 Bonds A is interest bearing at 11% per annum and is payable semi-annually.

The 2020 Bonds A mature in three years from the issue date and shall be redeemed at 100% of their principal amount together with accrued and unpaid interest in 2020.

#### (iii) Bonds issued on 17 January 2018 ("2019 Bonds B")

On 17 January 2018, the Company issued US\$200,000,000 bonds which were listed on Singapore Exchange Securities Trading Limited. The 2019 Bonds B is interest bearing at 11% per annum and is payable semi-annually.

The 2019 Bonds B mature in one year from the issue date and shall be redeemed at 100% of their principal amount together with accrued and unpaid interest in 2019.



# Notes to the Consolidated Financial Statements

## 24 CONTRACT LIABILITIES

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
<i>Contract liabilities arising from:</i>			
Properties development	20,929,545	15,714,488	—
Other services	9,495	5,695	—
	<b>20,939,040</b>	<b>15,720,183</b>	—

Typical payment terms which impact on the amount of contract liabilities are as follows:

### Properties development

The Group requires deposits on certain percentage of selling price of properties sold as stated in the sales and purchase agreement before the transfer of properties sold.

### Other services

The Group requires deposits for the advance reservation of hotel accommodation with the remainder of the consideration at the completion of services provided.

### Movements in contract liabilities

	2018 RMB'000
Balance as at 1 January	15,720,183
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(7,715,583)
Increase in contract liabilities as a result of receiving deposits from customers	12,934,440
Balance at 31 December	<b>20,939,040</b>

*Note:*

The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. The comparative information is not restated.

Upon adoption of HKFRS 15, amounts previously included as “Advance proceeds from customers” were reclassified to “Contract liabilities”.



## 24 CONTRACT LIABILITIES (continued)

### Movements in contract liabilities (continued)

The contract liabilities mainly relate to the advance proceeds received from customers. RMB7,715,583,000 of the contract liabilities as of 1 January 2018 has been recognised as revenue for the year ended 31 December 2018 from performance obligations satisfied in previous year.

The Group has applied the practical expedient under HKFRS 15 to contracts in relation to hotel operation and other ancillary services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations as in general, those contracts in relation to hotel operation and other ancillary services have an original expected duration of one year or less.

## 25 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	55,514	40,753
— to be recovered within 12 months	550,759	488,292
	606,273	529,045
Deferred income tax liabilities		
— to be settled after more than 12 months	(2,151,847)	(1,916,267)
— to be settled within 12 months	(58,049)	(57,976)
	(2,209,896)	(1,974,243)
	(1,603,623)	(1,445,198)



# Notes to the Consolidated Financial Statements

## 25 DEFERRED INCOME TAX (continued)

The net movement on the deferred income tax assets and deferred tax liabilities is as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance	1,445,198	1,511,366
Charged/(credited) to the consolidated statement of profit or loss (Note 33)	158,527	(66,168)
Acquisition of subsidiaries	(102)	—
Ending balance	1,603,623	1,445,198

Movement in deferred income tax assets and liabilities for the years ended 31 December 2018 and 2017, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

### Deferred income tax assets

	Temporary differences on recognition of sales and related cost of sales RMB'000	Temporary differences on recognition of land appreciation tax RMB'000	Temporary differences on recognition of tax losses RMB'000	Total RMB'000
As at 1 January 2018	472,399	39,286	140,139	651,824
(Charged)/credited to the consolidated statement of profit or loss	(4,609)	822	80,880	77,093
Acquisition of subsidiaries	—	—	102	102
As at 31 December 2018	467,790	40,108	221,121	729,019
As at 1 January 2017	345,326	5,797	85,085	436,208
Credited to the consolidated statement of profit or loss	127,073	33,489	55,054	215,616
As at 31 December 2017	472,399	39,286	140,139	651,824





## 25 DEFERRED INCOME TAX (continued)

## Deferred income tax liabilities

	Temporary differences on recognition of fair value gains of investment properties RMB'000	Temporary differences on revaluation surplus RMB'000	Temporary differences on recognition of sales and related cost of sales RMB'000	Withholding taxation on the unremitted earnings of certain subsidiaries RMB'000	Total RMB'000
As at 1 January 2018 (Charged)/credited to the consolidated statement of profit or loss	(1,281,031)	(101,744)	(183,477)	(530,770)	(2,097,022)
	(187,325)	—	36,975	(85,270)	(235,620)
As at 31 December 2018	(1,468,356)	(101,744)	(146,502)	(616,040)	(2,332,642)
As at 1 January 2017 (Charged)/credited to the consolidated statement of profit or loss	(1,203,040)	(102,017)	(192,448)	(450,069)	(1,947,574)
	(77,991)	273	8,971	(80,701)	(149,448)
As at 31 December 2017	(1,281,031)	(101,744)	(183,477)	(530,770)	(2,097,022)

Deferred income tax arose as a result of differences in timing of recognising certain revenues, costs and expenses between the tax based accounts and the HKFRSs financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated statement of financial position and its tax bases in accordance with HKAS 12.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB213,712,000 (2017: RMB137,478,000) as at 31 December 2018 in respect of accumulated losses amounting to RMB854,849,000 (2017: RMB549,911,000) as at 31 December 2018. Accumulated losses as at 31 December 2018 amounting to RMB854,849,000 will expire during years from 2019 to 2023.



# Notes to the Consolidated Financial Statements

## 26 TRADE AND OTHER PAYABLES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Trade payables (Note (a))	9,946,853	7,814,630
Other payables (Note (b))	4,739,387	4,894,032
Other taxes payable	252,295	157,898
	<b>14,938,535</b>	12,866,560
Less: Non-current portion of other payables (Note (b)(i))	—	(400,000)
Current portion	<b>14,938,535</b>	12,466,560

Notes:

- (a) The ageing analysis of trade payables, based on invoice dates, as of the end of the year is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within 90 days	5,318,440	4,552,683
Over 90 days and within 1 year	1,540,523	1,041,891
Over 1 year	3,087,890	2,220,056
	<b>9,946,853</b>	7,814,630



## 26 TRADE AND OTHER PAYABLES (continued)

Notes: (continued)

(b) Other payables comprise:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Deposits and advances from contractors	518,118	455,613
Deposits received from other customers for purchase of properties	1,489,329	1,497,535
Deposits received from tenants of investment properties	72,114	65,374
Payable to joint operation partner	31,720	39,140
Advances from shareholders of associated companies and joint ventures (Note (i))	1,011,178	1,351,674
Advances from group companies of non-controlling interests (Note (ii))	—	196,026
Advances from other parties (Note (iii))	313,164	110,313
Consideration payable on acquisition of subsidiaries	271,917	267,504
Consideration received for disposal of a subsidiary	87,620	91,200
Commission payables	35,908	6,830
Consideration payable on acquisition of lands	—	202,746
Accruals and other payables (Note (iv))	680,543	445,406
Provision for loss arising from financial guarantee agreements (Note (v))	89,136	89,136
Miscellaneous	138,640	75,535
	<b>4,739,387</b>	<b>4,894,032</b>

(i) As at 31 December 2018, except for advances from shareholders of associated companies and joint ventures amounted to RMB850,441,000 (2017: RMB506,792,000) for current portion which are unsecured, interest-bearing with interest rate ranging from 5.2% to 13.5% (2017: ranging from 5.2% to 12%) per annum and repayable in 6 months to 2 years (2017: 6 months to 2 years) after drawdown date, the remaining balances are unsecured, interest-free and repayable on demand.

As at 31 December 2017, the non-current portion of advances from shareholders of associated companies and joint ventures are non-trade in nature, unsecured, interest bearing at 5.2% per annum, and repayable in 2 years after drawdown date.

(ii) As at 31 December 2017, the amount is unsecured, interest-bearing at 9.5% per annum and repayable on demand.

(iii) As at 31 December 2018, except for advances from other parties amounted to RMB116,553,000 (2017: RMB110,313,000) which are secured, interest-bearing at 12% (2017: 12%) per annum, the remaining balance is unsecured, interest-bearing with interest rate ranging from 4.35% to 13.5% (2017: N/A) per annum and repayable on demand.

(iv) The amount mainly comprises accruals of general and administrative expenses, salaries and operating expenses.

(v) In 2016, a provision for loss arose from three financial guarantee contracts in respect of guarantee agreements entered into by a subsidiary of the Group amounted to RMB34,990,000, RMB26,546,000 and RMB27,600,000 respectively.



## Notes to the Consolidated Financial Statements

### 27 AMOUNTS DUE TO RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES

	Maximum outstanding balance during the year RMB'000	As at 31 December	
		2018 RMB'000	2017 RMB'000
Controlling shareholders Mr. Wong Wun Ming	1,359,371	<b>1,359,371</b>	697,043
Companies controlling by controlling shareholders		<b>32,500</b>	1,943
Joint ventures (Note 13)		<b>4,570,183</b>	3,936,141
Associated companies (Note 12)		<b>970,602</b>	692,165
		<b>6,932,656</b>	5,327,292

The amounts due to related parties, joint ventures and associated companies are non-trade in nature, unsecured, interest-free and repayable on demand.

The carrying amounts of amounts due to related parties, joint ventures and associated companies approximate their fair values.



**28 PROVISION FOR OTHER LIABILITIES AND CHARGES**

	Year ended at 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance	65,064	65,089
Additional provision (Note 30)	13,338	2,448
Utilised during the year	(13,575)	(2,473)
Ending balance	64,827	65,064
Representing:		
Provided amounts	190,084	176,746
Utilised amounts	(125,257)	(111,682)
Net book amount	64,827	65,064

The analysis of provision for other liabilities and charges is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Provision for delay in delivering properties	64,827	65,064

The amounts represent a provision for delay in delivering properties brought against the Group by customers. The provision charge is recognised in the consolidated statement of profit or loss, and subject to periodic review on the estimation. In the directors' opinion, after taking into consideration appropriate legal advice, the outcome of these delay in delivering properties will not give rise to any significant loss beyond the amounts provided at 31 December 2018.



# Notes to the Consolidated Financial Statements

## 29 OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Government grants (Note (a))	2,534	2,452
Reversal of provision for loss on financial guarantee in respect of guarantee agreement	674	—
Net (loss)/gain from disposal of property, plant and equipment	(185)	420
Net exchange (losses)/gains (Note (b))	(207,365)	211,048
Net loss from disposal of investment properties	(1,541)	(1,657)
Miscellaneous	37,681	(19,558)
	<b>(168,202)</b>	192,705

*Notes:*

- (a) The government grants represented both the amortisation of deferred government grant and other subsidy income received from various local government authorities by certain subsidiaries which were credited to the consolidated statement of profit or loss directly. Grants from government authorities were recognised at their fair values when the Group fulfilled the attached conditions.

As the provision of government grants should be approved by local government authorities on a case by case basis there is no assurance that the Group will continue to enjoy such grants in the future.

- (b) Exchange difference mainly arises from the senior notes and bonds as stated in Note 23 which is denominated in USD.



### 30 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Staff costs — including directors' emoluments (Note (a))	435,825	361,257
Auditor's remuneration	4,800	4,800
Charitable donation	1,134	14,311
Depreciation	115,421	86,671
Amortisation of land use rights	56,200	11,604
Cost of properties sold	7,815,744	6,962,282
Business tax and other levies on sales and construction of properties (Note (b))	234,549	444,875
Direct outgoings arising from investment properties that generate rental income	143,343	124,860
Operating lease expenses on land and buildings	32,093	43,076
Hotel operating expenses	115,108	116,861
Provision for delay in delivering properties (Note 28)	13,338	2,448

Notes:

(a) Staff costs (including directors' emoluments)

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Wages and salaries	372,863	311,557
Pension costs — defined contribution plans	41,054	30,755
Other allowances and benefits	21,908	18,945
	435,825	361,257

(b) Business tax and other levies on sales and construction of properties

The PRC companies of the Group are subject to business tax of 5% and other levies on their revenues from sale and construction of properties. These expenses are included in cost of sales.



# Notes to the Consolidated Financial Statements

## 31 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Finance income		
— interest income on bank deposits and loan to a related party (Note 40(b))	72,788	100,529
Interest expenses on bank borrowings	(638,454)	(706,786)
Interest expenses on other borrowings and advances from other parties	(31,865)	(61,821)
Interest expenses on senior notes and bonds (Note 23)	(340,853)	(222,962)
Less: Interest capitalised	1,011,172	991,569
Finance costs	—	—
Net finance income	72,788	100,529

## 32 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' and chief executive's emoluments

The remuneration of each executive of the Company for the year ended 31 December 2018 is set out below:

Name	Fees RMB'000	Salaries RMB'000	Employer's contribution to a retirement benefit scheme	Total RMB'000
			RMB'000	
<b>Executive directors</b>				
Mr. Wong Wun Ming (Note (i))	—	120	15	135
Mr. Huang Qingzhu	—	120	15	135
Mr. Huang Lianchun	—	46	—	46
Mr. Huang Li Shui	—	2,793	15	2,808
<b>Independent non-executive directors</b>				
Mr. Lau Kin Hon	305	—	—	305
Mr. Dai Yiyi (Note (ii))	135	—	—	135
Mr. Qu Wenzhou (Note (iii))	135	—	—	135
Mr. Chu Kin Wang Peleus	508	—	—	508
Dr. Wong Tin Yau Kelvin <i>J.P.</i> (Note (iv))	169	—	—	169
Dr. Lam, Lee G. (Note (v))	169	—	—	169
	1,421	3,079	45	4,545





## 32 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

### (a) Directors' and chief executive's emoluments (continued)

The remuneration of each executive of the Company for the year ended 31 December 2017 is set out below:

Name	Fees RMB'000	Salaries RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
<b>Executive directors</b>				
Mr. Wong Wun Ming (Note (i))	—	120	15	135
Mr. Huang Qingzhu	—	120	15	135
Mr. Huang Lianchun	—	46	—	46
Mr. Huang Li Shui	—	2,855	15	2,870
<b>Independent non-executive directors</b>				
Mr. Lau Kin Hon	208	—	—	208
Mr. Dai Yiyi (Note (ii))	208	—	—	208
Mr. Qu Wenzhou (Note (iii))	208	—	—	208
Mr. Chu Kin Wang Peleus	87	—	—	87
	711	3,141	45	3,897

Notes:

- (i) The chief executive of the Group is Mr. Wong Wun Ming (also a director) whose emoluments have been presented above.
- (ii) Resigned with effect from 1 September 2018.
- (iii) Resigned with effect from 31 August 2018.
- (iv) Appointed with effect from 1 September 2018 and resigned with effect from 6 March 2019.
- (v) Appointed with effect from 1 September 2018.

### (b) Five highest paid individuals

During the year ended 31 December 2018, one (2017: one) of the five highest paid individuals is director of the Company, whose emolument is reflected in the analysis presented above.

The aggregate amounts of emoluments of the four highest paid individuals for the year ended 31 December 2018 (2017: four) are set out below:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Basic salaries and allowance	4,371	4,416
Retirement scheme contributions	123	115
	4,494	4,531



## 32 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

### (b) Five highest paid individuals (continued)

The emoluments of all highest paid, non-director individuals for the years ended 31 December 2018 and 2017 presented fall within the range of following bands:

	Number of individuals	
	2018	2017
Emolument bands		
HK\$500,001–HK\$1,000,000	3	3
HK\$1,000,001–HK\$1,500,000	—	—
HK\$1,500,001–HK\$2,000,000	—	—
HK\$2,000,001–HK\$2,500,000	1	1

- (c) During the year ended 31 December 2018, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2017: Nil).

During the year ended 31 December 2018, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2017: Nil).

During the year ended 31 December 2018, no consideration was provided to or receivable by third parties for making available director's services (2017: Nil).

- (d) No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year (2017: Nil).
- (e) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: Nil).



## Notes to the Consolidated Financial Statements

### 33 INCOME TAX EXPENSE

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Current income tax		
— PRC enterprise income tax	645,650	468,871
— PRC land appreciation tax	389,949	310,662
	<b>1,035,599</b>	779,533
Deferred income tax		
— PRC enterprise income tax	165,394	(146,869)
— PRC withholding income tax	85,270	80,701
	<b>250,664</b>	(66,168)
	<b>1,286,263</b>	713,365

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Profit before income tax	2,575,394	1,898,816
PRC land appreciation tax	(389,949)	(310,662)
	<b>2,185,445</b>	1,588,154
Calculated at PRC enterprise income tax rate of 25%	546,362	397,038
Effect of expenses not deductible for income tax purposes (Note (a))	220,610	89,925
Income not subject to tax (Note (b))	(37,420)	(194,782)
Tax losses not recognised as deferred tax assets	81,492	29,821
	<b>811,044</b>	322,002
PRC enterprise income tax	811,044	322,002
PRC land appreciation tax	389,949	310,662
PRC withholding income tax	85,270	80,701
	<b>1,286,263</b>	713,365
Total tax expense	<b>1,286,263</b>	713,365



## 33 INCOME TAX EXPENSE (continued)

Notes:

- (a) Effect of expenses not deductible for income tax purposes mainly resulted from certain intra-group or related party transactions, donation expenses, net exchange loss, interest expense on bonds and senior notes.
- (b) Income not subject to tax mainly comprises fair value gains on derivative financial instruments share of results of associated companies and joint ventures and unrealised exchange gain.

### Hong Kong profits tax

Hong Kong profits tax of 16.5% (2017: 16.5%) has not been provided for as the Group has no estimated assessable profit in Hong Kong for the year ended 31 December 2018 (2017: Nil).

### PRC enterprise income tax

PRC enterprise income tax is provided for at 25% (2017: 25%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purpose.

### PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

### PRC withholding income tax

According to the Enterprise Income Tax Law of the PRC and its detailed implementation regulations, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their invested entities in the PRC declare their dividends out of the profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied, subject to approval of local tax authorities, when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Group accrues for the PRC withholding income tax based on the tax rate of 5% for its immediate holding companies which are established in Hong Kong.

## 34 DIVIDENDS

No interim dividend was declared and the Board does not recommend payment of final dividend for the year ended 31 December 2018 (2017: Nil).



### 35 EARNINGS PER SHARE

#### Basic and diluted

Basic earnings per share for the years ended 31 December 2018 and 2017 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

As there were no dilutive options and other dilutive potential shares in issue during 2018 and 2017, and the Company's shares were suspended for trading on Stock Exchange, diluted earnings per share is the same as basic earnings per share.

	Year ended 31 December	
	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	<b>855,076</b>	1,024,220
Weighted average number of ordinary shares in issue (thousands)	<b>6,093,451</b>	6,093,451
Basic and diluted earnings per share (RMB cents)	<b>14.0</b>	16.8



# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Particulars of the significant subsidiaries, associated companies and joint ventures of the Group as at 31 December 2018 and 2017 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Subsidiaries — established in the PRC</b>							
Mingfa Group Company Limited 明發集團有限公司	6 November 2001	Foreign investment enterprise	HK\$1,000,000,000	HK\$1,000,000,000	100%	100%	Property development and investment holding
Xiamen Mingfa Group Co., Ltd. 廈門明發集團有限公司	7 January 1998	Domestic enterprise	RMB200,000,000	RMB200,000,000	100%	100%	Property development and investment holding
Mingfa Group (Zhangzhou) Real Estate Co., Ltd. 明發集團(漳州)房地產開發 有限公司	13 February 2007	Sino-foreign joint venture	HK\$230,000,000	HK\$230,000,000	100%	100%	Property development and investment holding
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. 明發集團無錫房地產開發有限公司	12 December 2003	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	70%	70%	Property development and investment holding
Mingfa Group Yangzhou Real Estate Co., Ltd. 明發集團揚州房地產開發有限公司	18 October 2006	Sino-foreign joint venture	US\$110,000,000	US\$110,000,000	100%	100%	Property development and investment holding
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團(合肥)房地產開發 有限公司	1 November 2005	Sino-foreign joint venture	US\$29,990,000	US\$29,990,000	100%	100%	Property development and investment holding
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司	12 July 2002	Sino-foreign joint venture	US\$60,000,000	US\$60,000,000	100%	100%	Property development and investment holding
Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd. 南京明發珍珠泉大酒店有限公司	15 September 2004	Sino-foreign joint venture	US\$14,804,000	US\$14,804,000	100%	100%	Hotel operation
Xiamen Mingfa Hotel Co., Ltd. 廈門明發大酒店有限公司	14 December 1999	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property investment and investment holding
Xiamen Mingfa Real Estate Development Co., Ltd. 廈門明發房地產開發有限公司	21 October 1994	Foreign investment enterprise	RMB211,680,000	RMB211,680,000	100%	100%	Property development and investment holding
Xiamen Ming Sheng Investment Management Co., Ltd. 明勝世家(廈門)物業管理有限公司	18 April 2006	Sino-foreign joint venture	HK\$68,000,000	HK\$68,000,000	51%	51%	Property management
Xiamen Mingfa Furniture Co., Ltd. 廈門明發傢俱工業有限公司	5 September 1994	Sino-foreign joint venture	RMB8,880,000	RMB8,880,000	100%	100%	Furniture manufacturing and investment holding



# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Subsidiaries — established in the PRC (continued)</b>							
Nan'an Hengxin Real Estate Development Co., Ltd. 南安市恒信房地產開發有限公司	28 November 2006	Domestic enterprise	RMB80,000,000	RMB8,000,000	100%	100%	Property development
Mingfa Group Shanghai Industry Co., Ltd. 明發集團上海實業有限公司	10 January 2007	Domestic enterprise	RMB100,000,000	RMB100,000,000	100%	100%	Property development
Nanjing Mingfa Xinhewan Hotel Co., Ltd. 南京明發新河灣大酒店有限公司	17 December 2007	Foreign investment enterprise	US\$23,500,000	US\$23,500,000	100%	100%	Hotel operation
Leun Fung (Xiamen) Furniture City Co., Ltd. 聯豐(廈門)傢俱城有限公司	15 September 1993	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	Property investment and investment holding
Nan'an Honglai Town Construction Co., Ltd. 南安市洪瀨鎮鎮區建設有限公司	18 October 1999	Domestic enterprise	RMB30,080,000	RMB30,080,000	100%	100%	Property development
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司	25 August 1998	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	Hotel operation and investment holding
Mingfa Group (Huai'an) Real Estate Co., Ltd. 淮安明發房地產開發有限公司	28 January 2008	Domestic enterprise	RMB50,000,000	RMB50,000,000	100%	100%	Property development
Xiamen Jianqin Real Estate Development Co., Ltd. 廈門建勤房地產開發有限公司	16 May 2002	Foreign investment enterprise	HK\$8,000,000	HK\$8,000,000	100%	100%	Property development
Xiamen Rui Feng Electronics Technology Co. Ltd. 廈門瑞豐光電科技有限公司	16 December 2004	Foreign investment enterprise	HK\$375,000,000	HK\$88,000,000	100%	100%	Property development and investment holding
Wuxi Mingwah Property Development Co., Ltd. 無錫明華房地產開發有限公司	12 December 2006	Foreign investment enterprise	RMB180,000,000	RMB180,000,000	100%	100%	Property development and investment holding
Mingfa Group Beijing Real Estate Co., Ltd. 明發集團北京房地產開發有限公司	22 October 2009	Domestic enterprise	RMB1,000,000,000	RMB1,000,000,000	100%	100%	Property development and investment holding
Zhenjiang Hanxiang Real Estate Co., Ltd. 鎮江漢翔房地產有限公司	16 March 2005	Foreign investment enterprise	US\$90,000,000	US\$90,000,000	100%	100%	Property development and investment holding
Mingfa Group (Shenyang) Real Estate Co., Ltd. 明發集團(瀋陽)房地產開發有限公司	24 March 2010	Foreign investment enterprise	US\$30,000,000	US\$30,000,000	100%	100%	Property development



# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Subsidiaries — established in the PRC (continued)</b>							
Creative Industrial Estate (Shenyang) Real Estate Co., Ltd. 創意產業園(瀋陽)房地產開發有限公司	24 March 2010	Foreign investment enterprise	US\$5,000,000	US\$5,000,000	100%	100%	Property development
Ming Sheng (Hefei) Property Management Co., Ltd. 明勝(合肥)物業服務經營管理有限公司	2 June 2010	Foreign investment enterprise	HK\$5,000,000	HK\$5,000,000	100%	100%	Property management
Ming Sheng (Yangzhou) Property Management Co., Ltd. 明勝(揚州)商業管理有限公司	26 April 2010	Foreign investment enterprise	HK\$5,800,000	HK\$5,800,000	100%	100%	Property management
Ming Sheng (Wuxi) Property Management Co., Ltd. 明勝(無錫)物業經營管理有限公司	15 July 2010	Foreign investment enterprise	HK\$5,000,000	HK\$5,000,000	100%	100%	Property management
Ming Sheng (Zhangzhou) Property Operation Management Co., Ltd. 明勝(漳州)物業經營管理服務有限公司	21 May 2010	Foreign investment enterprise	RMB5,000,000	RMB5,000,000	100%	100%	Property management
Huizhou Fuzhiye Real Estate Co., Ltd. 惠州富之頁房地產開發有限公司	9 November 1991	Foreign investment enterprise	US\$34,700,000	US\$27,546,373	80%	80%	Property development
Yangzhou Mingfa Hotel Co., Ltd. 揚州明發大酒店有限公司	18 July 2011	Foreign investment enterprise	US\$29,800,000	US\$20,000,000	100%	100%	Hotel operation
Mingfa Group (Taizhou) Real Estate Co., Ltd. 明發集團(泰州)房地產開發有限公司	11 August 2011	Foreign investment enterprise	US\$159,500,000	US\$111,500,070	100%	100%	Property development and investment holding
Mingfa Group (Tianjin Binhai New Area) Real Estate Development Co., Ltd. 明發集團(天津濱海新區)房地產開發有限公司	8 September 2011	Foreign investment enterprise	US\$30,000,000	US\$30,000,000	100%	100%	Property development and investment holding





# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Subsidiaries — established in the PRC (continued)</b>							
Xiamen Mingfa Seaview International Hotel Co., Ltd. 廈門明發海景國際酒店有限公司	4 November 2011	Domestic enterprise	RMB30,000,000	RMB30,000,000	100%	100%	Hotel operation
Huaian Mingfa International Hotel Co., Ltd. 淮安明發國際大酒店有限公司	16 November 2011	Foreign investment enterprise	US\$28,000,000	US\$28,000,000	100%	100%	Hotel operation
Mingfa (Longhai) Real Estate Company Limited 明發(龍海)房地產開發有限公司	24 February 2012	Foreign investment enterprise	HK\$50,000,000	HK\$50,000,000	100%	100%	Property development
Mingfa Group (Shenzhen) Real Estate Company Limited 明發集團(深圳)房地產開發有限公司	21 May 2012	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development
Lanzhou Mingfa Zhongke Real Estate Co., Ltd. 蘭州明發中科房地產開發有限公司	15 March 2011	Sino-foreign joint venture	RMB20,000,000	RMB20,000,000	51%	51%	Property development
Quanzhou Mingfa Huachang Development and Construction Co., Ltd. 泉州明發華昌商業城開發建設有限公司	12 March 2010	Domestic enterprise	RMB110,000,000	RMB110,000,000	100%	100%	Property development
Mingfa (China) Investments Company Limited 明發(中國)投資有限公司	23 October 2012	Foreign investment enterprise	US\$150,000,000	US\$150,000,000	100%	100%	Investment holding
Nanjing Mingfa New Town Real Estate Company Limited 南京明發新城置業有限公司	24 December 2012	Domestic enterprise	RMB200,000,000	RMB200,000,000	100%	100%	Property development
Shenyang Mingfa Real Estate Co., Ltd. 瀋陽明發房地產開發有限公司	21 March 2013	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Property development
Mingfa Group Lianyungang Real Estate Development Co., Ltd. 明發集團連雲港房地產開發有限公司	1 November 2017	Domestic enterprise	RMB20,000,000	—	49%	49%	Property development
Mingfa Group Suqian Real Estate Development Co., Ltd. 明發集團宿遷房地產開發有限公司	26 September 2017	Domestic enterprise	RMB10,000,000	—	70%	70%	Property development
Nanjing Mingfa Tong Sheng Electronics and Information Technology Co., Ltd. 南京明發通盛電子信息技術發展有限公司	19 June 2013	Domestic enterprise	US\$10,000,000	US\$6,600,295	70%	70%	Property development



# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Subsidiaries — established in the PRC (continued)</b>							
Ping Liang Shi Ding Sheng Real Estate Co., Ltd. 平涼市鼎盛置業投資有限公司	20 April 2007	Domestic enterprise	RMB20,000,000	RMB20,000,000	60%	60%	Property development
Mingfa Group Nanjing Pukou Real Estate Co., Ltd. 明發集團南京浦口房地產開發有限公司	25 November 2013	Domestic enterprise	RMB300,000,000	RMB300,000,000	100%	100%	Property development
Mingfa Group (Ma An Shan) Industrial Co., Ltd. 明發集團(馬鞍山)實業有限公司	20 November 2013	Foreign investment enterprise	US\$10,000,000	US\$10,000,000	100%	100%	Property development
Mingfa Group (Zi Bo) Real Estate Co., Ltd. 明發集團(淄博)房地產開發有限公司	22 August 2013	Domestic enterprise	RMB500,000,000	RMB500,000,000	100%	100%	Property development
Mingsheng (Quanzhou) Property Management Co., Ltd. 明勝(泉州)物業管理有限公司	18 October 2011	Sino-foreign joint venture	RMB5,000,000	RMB5,000,000	100%	100%	Property management
Nanjing MingMao Real Estate Co., Ltd. 南京明茂置業有限公司	05 February 2015	Domestic enterprise	RMB820,000,000	RMB820,000,000	51%	51%	Property development
Nanjing Mingfa PuTai Real Estate Co., Ltd. 南京明發浦泰置業有限公司	16 March 2015	Domestic enterprise	RMB100,000,000	RMB100,000,000	51%	51%	Property development
Zhangzhou Mingfa Wyndham Hotel Co., Ltd. 漳州明發溫德姆酒店有限公司	7 August 2014	Domestic enterprise	RMB30,000,000	RMB30,000,000	100%	100%	Hotel operation
Hefei Mingfa International Hotel Co., Ltd. 合肥明發國際大酒店有限公司	3 January 2014	Domestic enterprise	US\$15,000,000	US\$10,302,000	100%	100%	Hotel operation
Mingfa Group Guang'an Real Estate Co., Ltd. 明發集團廣安房地產開發有限公司	17 March 2014	Domestic enterprise	RMB60,000,000	RMB60,000,000	100%	100%	Property development
Mingfa Group Nanjing Ruiye Real Estate Co., Ltd. 明發集團南京瑞業房地產開發有限公司 (Note (a))	28 May 2013	Domestic enterprise	RMB20,000,000	RMB20,000,000	40%	40%	Property development
Mingfa Group Anhui Jinzhai City Development Co., Ltd. 明發集團安徽金寨城市開發有限公司	9 December 2014	Domestic enterprise	RMB200,000,000	RMB120,000,000	100%	100%	Property development and investment holding
Nanjing Zhaofu International Golf Club Co., Ltd. 南京昭富國際高爾夫會員俱樂部有限公司 (Note (c))	23 May 1992	Sino-foreign enterprise	USD30,800,000	RMB9,242,000	50%	—	Sport



# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Subsidiaries — established in the PRC (continued)</b>							
Xiamen Zhong Ao Cheng Property Co., Ltd. 廈門中澳城置業有限公司	16 June 2014	Domestic enterprise	RMB50,000,000	RMB50,000,000	51%	51%	Property development
Nanjing Mingfa Technology Investment Development Co., Ltd. 南京明發科技投資發展有限公司	18 June 2012	Domestic enterprise	RMB100,000,000	RMB20,000,000	100%	100%	Property development
Mingfa Group Digital Valley Information Technology Co., Ltd. 明發集團數谷信息科技有限公司	17 July 2003	Domestic enterprise	RMB20,000,000	RMB20,000,000	100%	100%	Trading of construction materials
Xiamen Hongyuan Gaotai Trade Co., Ltd. 廈門弘源高泰貿易有限公司	20 December 2016	Domestic enterprise	RMB30,000,000	—	100%	100%	Trading of construction materials
Mingfa Group Nanjing Xiang Ye Real Estate Co., Ltd. 明發集團南京祥業房地產開發有限公司	3 June 2016	Domestic enterprise	RMB20,000,000	RMB20,000,000	100%	100%	Property development
Nanjing Mingfa Business Management Co., Ltd. 南京明發商業管理有限公司	1 June 2016	Sino-foreign joint venture	USD100,000,000	USD20,053,100	80%	80%	Hotel operation
Nanjing Minghong New Real Estate Development Co., Ltd. 南京明弘新房地產開發有限公司 (Note (a))	20 October 2016	Domestic enterprise	RMB20,000,000	RMB20,000,000	40%	40%	Hotel operation
Mingfa Group (Ma On Shan) Environmental Construction Co., Ltd. 明發集團(馬鞍山)環境建設有限公司	24 October 2016	Domestic enterprise	USD20,000,000	—	100%	100%	Property development
Quanjiao Mingfa Industrial Co., Ltd. 全椒明發實業有限公司	8 October 2016	Domestic enterprise	RMB100,000,000	RMB100,000,000	100%	100%	Property development
He Xian Mingfa Jiangwan Hotel Co., Ltd. 和縣明發江灣大酒店有限公司	4 May 2016	Domestic enterprise	RMB50,000,000	—	100%	100%	Property development and investment holding
Jinzhai Mingfa International Hotel Co., Ltd. 金寨明發國際大酒店有限公司	1 December 2016	Domestic enterprise	RMB100,000,000	—	100%	100%	Property development



# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Subsidiaries — established in the PRC (continued)</b>							
Chendu Mingfa Commercial Town Construction Co., Ltd 成都明發商務城建設有限公司	28 January 2016	Domestic enterprise	RMB33,000,000	RMB33,000,000	100%	100%	Property development
Xiamen Hongsheng Tianwei Real Estate Co., Ltd 廈門弘盛天成置業有限公司	27 October 2017	Domestic enterprise	RMB50,000,000	—	100%	100%	Trading of construction materials
Lai'an Mingfa Pu Tai Real Estate Co., Ltd 來安明發浦泰置業有限公司	15 November 2016	Domestic enterprise	RMB20,000,000	RMB20,000,000	70%	70%	Property development
Mingfa Group (Liu An) Real Estate Co., Ltd 明發集團(六安)房地產開發 有限公司	23 February 2017	Foreign investment enterprise	RMB100,000,000	—	100%	100%	Property development
Mingfa (Zhangpu) Real Estate Co., Ltd 明發(漳浦)房地產開發有限公司	16 June 2017	Foreign investment enterprise	RMB50,000,000	RMB50,000,000	100%	100%	Property development
Ma An Shan Tian Mu Spa Travel Investments Co., Ltd 馬鞍山天沐溫泉旅遊投資有限公司	20 October 2011	Foreign investment enterprise	RMB30,000,000	RMB30,000,000	100%	100%	Property development
Ma An Shan Tian Mu Property Co., Ltd 馬鞍山天沐置業有限公司	7 May 2010	Domestic enterprise	RMB50,000,000	RMB50,000,000	100%	100%	Property development
Mingfa Group Sihong Real Estate Co., Ltd 明發集團泗洪房地產開發有限公司	24 July 2017	Sino-foreign joint venture	USD36,000,000	USD36,000,000	100%	100%	Property development



# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Subsidiaries — established in the PRC (continued)</b>							
Mingfa Group Gold Lake Real Estate Development Co., Ltd 明發集團金湖房地產開發有限公司	24 August 2017	Foreign investment enterprise	RMB240,000,000	—	100%	100%	Property development
Mingfa Group Wuhu Real Estate Development Co., Ltd 明發集團蕪湖房地產開發有限公司	14 September 2017	Foreign investment enterprise	RMB100,000,000	RMB100,000,000	100%	100%	Property development
Mingfa Group Dangtu Real Estate Development Co., Ltd 明發集團當塗房地產開發有限公司	31 August 2017	Foreign investment enterprise	RMB50,000,000	—	100%	100%	Property development
Mingfa Group Hanshan Real Estate Development Co., Ltd 明發集團含山房地產開發有限公司	1 September 2017	Foreign investment enterprise	RMB50,000,000	RMB50,000,000	100%	100%	Property development
Mingfa Group Chizhou Real Estate Development Co., Ltd 明發集團池州房地產開發有限公司	21 July 2017	Domestic enterprise	RMB500,000,000	RMB400,000,000	100%	100%	Property development
Mingfa Group Anhui East City Development Co., Ltd 明發集團安徽東至城市開發有限公司	5 July 2017	Domestic enterprise	RMB200,000,000	RMB66,220,000	100%	100%	Property development
Quanjiao Ming Gui Real Estate Development Co., Ltd 全椒明桂房地產開發有限公司	28 July 2017	Domestic enterprise	RMB15,000,000	RMB15,000,000	51%	51%	Property development
Mingfa Group Lai an Industry Co., Ltd 明發集團來安實業有限公司	30 November 2017	Domestic enterprise	RMB2,000,000,000	—	100%	100%	Property development
Ma On Shan Ming Man Industrial Co Ltd 馬鞍山明曼實業有限公司	15 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Ming Lai Industrial Co., Ltd 馬鞍山明萊實業有限公司	15 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Ming Xu Industrial Co., Ltd 馬鞍山明旭實業有限公司	15 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Ming Yun Industrial Co., Ltd 馬鞍山明雲實業有限公司	16 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development



# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Subsidiaries — established in the PRC (continued)</b>							
Ma On Shan Minguo Industrial Co., Ltd 馬鞍山明諾實業有限公司	16 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Ming Song Industrial Co., Ltd 馬鞍山明松實業有限公司	16 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Mingsen Industrial Co., Ltd 馬鞍山明森實業有限公司	16 August 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Ming Lin Industrial Co., Ltd 馬鞍山明林實業有限公司 (Note (b))	22 December 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Ming Kun Industrial Co., Ltd 馬鞍山明坤實業有限公司 (Note (b))	21 December 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Ming Zhao Industrial Co., Ltd 馬鞍山明昭實業有限公司 (Note (b))	21 December 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Mingpo Industrial Co., Ltd 馬鞍山明浦實業有限公司	21 December 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Mingzheng Industrial Co., Ltd 馬鞍山明章實業有限公司 (Note (b))	22 December 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Ming Nan Industrial Co., Ltd 馬鞍山明楠實業有限公司 (Note (b))	21 December 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma On Shan Ming Shu Industrial Co., Ltd 馬鞍山明樹實業有限公司 (Note (b))	21 December 2017	Domestic enterprise	RMB20,000,000	—	100%	100%	Property development
Ma An Shan Ming Hua Industrial Co., Ltd 馬鞍山明華置業有限公司 (Note (b))	27 July 2018	Domestic enterprise	RMB10,000,000	—	100%	—	Investment holding
<b>Subsidiary — incorporated in Taiwan</b>							
Ru Fa Development Company Limited (Taiwan) 如發開發股份有限公司(台灣)	1 April 2013	Limited liability company	NTD10,000,000	NTD10,000,000	99%	99%	Property development



# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Subsidiaries — incorporated in Hong Kong</b>							
Ming Fat Holdings (Hong Kong) Limited 明發集團(香港)有限公司	25 October 2000	Limited liability company	HK\$200,000,000	HK\$80,000,000	100%	100%	Investment holding
Hong Kong Ming Fat Shui Fung Electronics Technology Co., Ltd. 香港明發瑞豐科技光電有限公司	28 September 2004	Limited liability company	HK\$2,000,000	HK\$2,000,000	100%	100%	Investment holding
Hong Kong Ming Wah Investment Development Company 香港明華投資發展公司	11 May 2002	Partnership	—	—	100%	100%	Investment holding
Hong Kong Full Bright Holdings Limited 香港盈輝集團有限公司	4 December 2007	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
H.K. Mingfa Hua Qing Investment Holdings Limited 香港明發華慶投資集團有限公司	23 August 2005	Limited liability company	HK\$300,000,000	HK\$300,000,000	70%	70%	Investment holding
H.K. Ming Shing Assets Management Group Limited 香港明勝資產集團管理有限公司	10 September 2009	Limited liability company	HK\$10,000	HK\$10,000	100%	100%	Investment holding
Dowence Development Limited 都運時發展有限公司	27 January 2011	Limited liability company	HK\$10,000	HK\$10,000	80%	80%	Investment holding
Mingfa Group Property Company Limited 明發集團房地產有限公司	19 April 2010	Limited liability company	HK\$10,000	HK\$1	100%	100%	Investment holding
Mingfa Group Construction Company Limited 明發集團建設有限公司	19 April 2010	Limited liability company	HK\$10,000	HK\$1	100%	100%	Investment holding
Mingfa Group Development Company Limited 明發集團發展有限公司	19 April 2010	Limited liability company	HK\$10,000	HK\$1	100%	100%	Investment holding
Mingfa Property Investment Company Limited 明發物業投資有限公司	3 August 2010	Limited liability company	HK\$10,000	HK\$10,000	100%	100%	Investment holding
Mingfa Group Finance Company Limited 明發集團財務有限公司	19 January 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Land Development Company Limited 明發集團土地開發有限公司	19 January 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Construction Engineering Company Limited 明發集團建築工程有限公司	19 January 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding



# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Subsidiaries — incorporated in Hong Kong (continued)</b>							
Mingfa Group (China) City Centre Integrated Projects Company Limited 明發集團(中國)城市綜合體建設有限公司	26 April 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) Travel Estate Development Company Limited 明發集團(中國)旅遊地產開發有限公司	26 April 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) Commercial Estate Development Company Limited 明發集團(中國)商業地產開發有限公司	26 April 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) New Town Construction Company Limited 明發集團(中國)新城鎮建設有限公司	3 May 2011	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Cultural Property Development Company Limited 明發集團文化產業發展有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Business Park Development Company Limited 明發集團總部基地開發有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group Technology Property Real Estate Development Company Limited 明發集團科技產業地產開發有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group New Town Development Company Limited 明發集團新城鎮開發有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Mingfa Group (China) World Trade Center Development Company Limited 明發集團(中國)世界貿易中心開發有限公司	29 November 2012	Limited liability company	HK\$10,000	HK\$1,000	100%	100%	Investment holding
Winning Orient Construction Group (Hong Kong) Limited 東勝建設集團(香港)有限公司 (Note (b))	20 June 2018	Limited liability company	HK\$10,000	HK\$10,000	100%	—	Investment holding





# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Subsidiaries — incorporated in the British Virgin Islands</b>							
Profit Surplus Investments Limited 利盈投資有限公司*	21 November 2007	Limited liability company	US\$50,000	US\$11,100	100%	100%	Investment holding
Fit Top Group Limited 輝德集團有限公司*	30 October 2007	Limited liability company	US\$50,000	US\$10,000	100%	100%	Investment holding
Add High International Limited 添高國際有限公司*	30 October 2007	Limited liability company	US\$50,000	US\$10,000	100%	100%	Investment holding
Elite Harbour Limited 港俊有限公司*	26 March 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Crown Succeed Limited 成冠有限公司*	26 March 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Shiny Hope Limited 明望有限公司*	18 March 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Jian Mao Limited 建茂有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Sign Boom Limited 兆興有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Day Sleek Limited 日順有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Haofa Limited 好發有限公司*	15 December 2010	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Lead Far Group Limited 利發集團有限公司*	10 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Trade Far Holdings Limited 貿發控股有限公司*	25 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Dragon Boom Holdings Limited 龍旺控股有限公司*	22 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Hero Shine Holdings Limited 英盛控股有限公司*	25 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Brave Fortune Group Limited 勇發集團有限公司*	25 March 2011	Limited liability company	US\$50,000	US\$1	100%	100%	Investment holding
Long Thrive International Limited 長盛國際有限公司*	17 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Astute Skill Limited 明巧有限公司*	26 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Great Stand Investments Limited 昌立投資有限公司*	2 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Baile Investments Limited 百樂投資有限公司*	12 November 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding

\* Directly held by the Company



# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Subsidiaries — incorporated in the British Virgin Islands (continued)</b>							
Moon Rainbow Limited 滿虹有限公司*	30 October 2012	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Best Trinity Holdings Limited 合盛控股有限公司	6 November 2012	Limited liability company	US\$1,000	US\$1,000	100%	80%	Investment holding
Sharp Pass Limited 銳通有限公司*	21 October 2014	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Repute Rise Limited 譽升有限公司*	15 June 2015	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Easycrest Limited 易冠有限公司*	30 April 2014	Limited liability company	US\$1	US\$1	100%	100%	Property development
Amity Achiever Limited 和達有限公司	21 July 2017	Limited liability company	US\$1	US\$1	100%	100%	Investment holding
Winning Orient Limited 東勝有限公司 (Note (b))	26 April 2018	Limited liability company	US\$1	US\$1	100%	—	Investment holding
<b>Associated companies — established in the PRC</b>							
Changchun Shimao Mingfa Real Estate Company Limited 長春世茂明發房地產開發有限公司	28 October 2009	Domestic enterprise	RMB300,000,000	RMB300,000,000	37.5%	37.5%	Property development and investment holding
Nanjing Software Valley Mingfa Communication Technology Development Co Ltd 南京軟件谷奇創通信科技有限 公司	6 February 2013	Sino-foreign joint venture	US\$40,000,000	US\$40,000,000	49%	49%	Property development
Nanjing Software Valley Mingfa Information Technology Development Company Limited 南京軟件谷明發信息科技發展 有限公司	21 June 2005	Sino-foreign joint venture	US\$60,000,000	US\$60,000,000	48%	48%	Property investment and investment holding
江蘇築業建築科技發展有限公司	26 July 2017	Domestic enterprise	RMB100,000,000	RMB100,000,000	30%	30%	Property development
Nanjing Ruijing Real Estate Development Co., Ltd 南京銳景房地產開發有限公司	9 October 2017	Domestic enterprise	RMB20,000,000	RMB20,000,000	25%	25%	Property development
Zhangchun Yue Yi Real Estate Development Co., Ltd 長春悅翊房地產開發有限公司	13 November 2017	Domestic enterprise	RMB30,000,000	RMB30,000,000	37.5%	—	Property development
<b>Associated company — incorporated in the British Virgin Islands</b>							
Eagle Rights Limited 鈞濠有限公司	31 March 2010	Limited liability company	US\$45,000,000	US\$45,000,000	33.3%	33.3%	Investment holding

\* Directly held by the Company



# Notes to the Consolidated Financial Statements

## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December		Principal activities
					2018	2017	
<b>Joint venture — established in the PRC</b>							
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. 南京明發科技商務城建設發展有限公司	9 September 2005	Sino-foreign joint venture	US\$448,980,000	US\$448,079,550	51%	51%	Property development
Nanjing Chunhe Electronic Co., Ltd. 南京春和電子有限公司	11 April 2007	Domestic enterprise	RMB18,000,000	RMB18,000,000	28.3%	28.3%	Property development
Nanjing Lichang Light and Electronic Technology Co., Ltd. 南京立昌光電科技有限公司	10 April 2007	Domestic enterprise	RMB20,000,000	RMB20,000,000	30.6%	30.6%	Property development
Nanjing Lianchang Engineering Co., Ltd. 南京聯昌機電有限公司	13 April 2007	Domestic enterprise	RMB15,000,000	RMB15,000,000	51%	51%	Property development
Nanjing Mingfa High District Property Co., Ltd. 南京明發高區置業有限公司	17 June 2013	Domestic enterprise	RMB122,610,000	RMB122,610,000	51%	51%	Property development
Nanjing Guofa Real Estate Co., Ltd. 南京國發置業有限公司	27 November 2017	Domestic enterprise	RMB50,000,000	RMB50,000,000	51%	51%	Property development
Nanjing Ming He De Industrial Co., Ltd. 南京明禾德實業有限公司	6 June 2017	Domestic enterprise	RMB100,000,000	—	50%	50%	Property development
Suzhou Zhengxin Real Estate Development Co., Ltd. 蘇州正信置業發展有限公司	1 July 2017	Domestic enterprise	RMB103,721,781.58	RMB17,000,000	14%	14%	Property development
Changsha Sand Boat Zhongmin Baihui Ole Business Management Co., Ltd. 長沙砂之船中閩百匯萊商業管理有限公司	5 June 2017	Domestic enterprise	RMB39,215,678	RMB3,921,568	49%	49%	Property management
<b>Joint ventures — incorporated in the British Virgin Islands</b>							
Superb Land Limited	09 June 2014	Limited liability company	US\$50,000	US\$10	20%	20%	Investment holding
Versilcraft Holdings Limited	21 September 2015	Limited liability company	US\$300	US\$300	33.3%	33.3%	Investment holding

\* Directly held by the Company



## 36 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Notes:

- (a) The adoption of HKFRS 10 has resulted in the consolidation of Mingfa Group Nanjing Ruiye Real Estate Co., Ltd and Nanjing Minghong New Real Estate Development Co., Ltd despite the Group owning less than 50% of the voting rights. This is because the Group has the practical ability to unilaterally direct the relevant activities of these companies.
- (b) 51% equity interest was disposed by the Group on 4 April 2019, subsequent to 31 December 2018 (Note 43).
- (c) 50% equity interest was acquired by the Group on 7 August 2018 (Note 39)

The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.

## 37 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2018 and 2017.

	<b>As at 31 December</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties (Note)	<b>5,448,321</b>	5,530,125

Note:

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate". The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements for the guarantees.



### 38 COMMITMENTS

#### (a) Commitments for capital and property development expenditure

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Contracted but not provided for		
— Properties being developed by the Group for sale	5,055,577	4,529,715
— Land use rights	2,788,663	2,867,763
	<b>7,844,240</b>	7,397,478

#### (b) Commitment for an equity investment

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Contracted but not provided for		
— Acquisition of a subsidiary	—	130,000

#### (c) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within one year	21,790	21,311
In the second to fifth year, inclusive	92,297	90,147
Over five years	162,097	186,037
	<b>276,184</b>	297,495



## 38 COMMITMENTS (continued)

### (d) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within one year	151,260	123,504
In the second to fifth year, inclusive	646,647	653,775
Over five years	937,330	998,326
	<b>1,735,237</b>	<b>1,775,605</b>

## 39 ACQUISITION OF A SUBSIDIARY

On 7 August 2018, the Group completed an acquisition of 50% equity interest in a PRC entity Nanjing Zhaofu International Golf Club Co., Ltd ("Zhaofu") at a cash consideration of approximate RMB210,000,000.

The directors consider this acquisition is an asset acquisition in substance rather than a business combination, and therefore consolidated the related assets and liabilities at its respective purchased value directly into the Group's consolidated financial statements at the date of completion of the transaction.

The assets and liabilities acquired and the net outflow of cash on acquisition are as below:

	Zhaofu Purchased value RMB'000
Property, plant and equipment (Note 6)	93,624
Land use rights (Note 9)	355,030
Cash and cash equivalents	104
Inventory	49
Trade and other payables	(27,334)
Borrowing	(1,473)
Total net assets	420,000
Net assets acquired	210,000
Purchase consideration settled in cash	210,000
Less: Cash and cash equivalents in the subsidiaries acquired	(104)
Net outflow of cash on acquisition	209,896



## 40 RELATED PARTY TRANSACTIONS

### (a) Name and relationship with related parties

#### (i) Controlling shareholders

Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun, with Ms. Chen Bihua who is the spouse of Mr. Wong Wun Ming acted as nominee of the controlling shareholders.

#### (ii) Controlled by the Controlling Shareholders

Xiamen Mingfa Property Development Limited*	廈門市明發物業發展有限公司
Growing Group Limited	興盛集團有限公司
Better Luck Group Limited	華運集團有限公司
Gainday Holdings Limited	朝達控股有限公司
Tin Sun Holdings Limited	日新控股有限公司
Bloom Luck Holdings Limited	隆福集團有限公司
Run Fast International Limited	運訊國際有限公司
Galaxy Earnest Limited	銀誠有限公司
Hong Kong Ming Fat International Holdings Company Limited	香港明發國際集團有限公司
Creative Industrial Estate (China) Development Limited	創業產業園(中國)發展有限公司
Mile Pacific (Hong Kong) Limited	邁泰(香港)有限公司
Mile Pacific Limited	邁泰有限公司
Sky Color Limited	天輝有限公司
Avail Wild Limited	博盈有限公司
Ocean Ample Limited	海溢投資有限公司
Hong Kong Ming Fa Investment Development Limited	香港明發投資發展有限公司
Tampell Limited	天普有限公司
Zone Ray Limited	崇亮有限公司

\* This company was a subsidiary of the Group before it was disposed.

The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.



## 40 RELATED PARTY TRANSACTIONS (continued)

### (b) Transactions with related parties

Other than those disclosed elsewhere in the consolidated financial statements, the Group had entered into the following major related party transactions:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Interest income from loan to Superb Land, a joint venture (Note 16)	7,286	6,644
Sale of car parks (recorded as completed properties held for sale) to Mr. Huang Li Shui, a controlling shareholder	—	476
Sales of properties (recorded as completed properties held for sale) to close family members of controlling shareholders	—	633

### (c) Key management compensation

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Salaries and other short-term employee benefits	6,533	6,926
Retirement scheme contributions	72	137
	6,605	7,063





# Notes to the Consolidated Financial Statements

## 41 HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2018 RMB'000	2017 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	71	177
Investments in subsidiaries	214	214
	<b>285</b>	391
<b>Current assets</b>		
Other receivables	13,143	12,539
Amounts due from subsidiaries	7,345,124	7,169,599
Cash and cash equivalents	3,663	199,311
	<b>7,361,930</b>	7,381,449
<b>Total assets</b>	<b>7,362,215</b>	7,381,840
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Other payables	112,538	312,144
Amounts due to subsidiaries	4,144,622	4,081,020
Amounts due to related parties	945,849	655,258
Borrowings	1,705,535	1,105,870
	<b>6,908,544</b>	6,154,292
<b>Net current assets</b>	<b>453,386</b>	1,227,157
<b>Total assets less current liabilities</b>	<b>453,671</b>	1,227,548
<b>Non-current liabilities</b>		
Borrowings	1,509,904	1,753,969
<b>Total liabilities</b>	<b>8,418,448</b>	7,908,261
<b>Net liabilities</b>	<b>(1,056,233)</b>	(526,421)
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	536,281	536,281
Reserves (Note)	(1,592,514)	(1,062,702)
<b>Total deficit</b>	<b>(1,056,233)</b>	(526,421)

On behalf of the directors

Wong Wun Ming  
Director

Huang Lianchun  
Director



## 41 HOLDING COMPANY STATEMENT OF FINANCIAL POSITION (continued)

Note:

Reserve movement of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2017	631,266	(1,554,275)	(923,009)
Loss for the year	—	(139,693)	(139,693)
Balance at 31 December 2017	631,266	(1,693,968)	(1,062,702)
Loss for the year	—	(529,812)	(529,812)
Balance at 31 December 2018	<b>631,266</b>	<b>(2,223,780)</b>	<b>(1,592,514)</b>



# Notes to the Consolidated Financial Statements

## 42 NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Borrowings (Note 23) RMB'000	Amounts due to related parties, joint ventures and associated companies (Note 27) RMB'000	Net amounts due to non- controlling interests (Note 17) RMB'000	Restricted cash (Note 18) RMB'000	Advances from other parties (Note 26) RMB'000	Advances from shareholders of associated companies and joint ventures (Note 26) RMB'000	Advance from group companies of non- controlling interests (Note 26) RMB'000
As 1 January 2018	(12,865,245)	(5,327,292)	(440,591)	366,363	(110,313)	(1,351,674)	(196,026)
Changes from cash flows:							
Drawdown of borrowings	(2,665,020)	—	—	—	—	—	—
Repayment of borrowings	3,491,591	—	—	—	—	—	—
Net cash advances received from related parties	—	(692,886)	—	—	—	—	—
Net cash advances received from a joint venture	—	(634,041)	—	—	—	—	—
Net cash advances received from an associated company	—	(278,437)	—	—	—	—	—
Net cash advances received from non-controlling interests	—	—	(16,917)	—	—	—	—
Increase in restricted cash relating to financing activities	—	—	—	42,437	—	—	—
Net cash advances received from other parties	—	—	—	—	(202,851)	—	—
Net cash advances repaid to shareholders of associated companies and joint ventures	—	—	—	—	—	340,496	—
Net cash advance repaid to group companies of non-controlling interests	—	—	—	—	—	—	196,026
Total changes from financing cash flows:	826,571	(1,605,364)	(16,917)	42,437	(202,851)	340,496	196,026
Exchange adjustments	188,004	—	—	—	—	—	—
Other changes:							
Interest expenses	1,011,172	—	—	—	—	—	—
Change in restricted cash relating to operating activities	—	—	—	20,821	—	—	—
Total other changes	1,011,172	—	—	20,821	—	—	—
At 31 December 2018	(10,839,498)	(6,932,656)	(457,508)	429,621	(313,164)	(1,011,178)	—



# Notes to the Consolidated Financial Statements

## 42 NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Borrowings (Note 23) RMB'000	Amounts due to related parties, joint ventures and associated companies (Note 27) RMB'000	Net amounts due to non- controlling interests (Note 17) RMB'000	Restricted cash (Note 18) RMB'000	Advances from other parties (Note 26) RMB'000	Advances from shareholders of associated companies and joint ventures (Note 26) RMB'000	Advance from group companies of non- controlling interests (Note 26) RMB'000
As 1 January 2017	(12,588,841)	(4,152,014)	(472,108)	1,382,867	(582,668)	(214,969)	—
Changes from cash flows:							
Drawdown of borrowings	(4,078,005)	—	—	—	—	—	—
Repayment of borrowings	3,023,064	—	—	—	—	—	—
Net cash advances received from related parties	—	(630,428)	—	—	—	—	—
Net cash advances received from a joint venture	—	(540,923)	—	—	—	—	—
Net cash advances received from an associated company	—	(3,927)	—	—	—	—	—
Net cash advances repaid to non-controlling interests	—	—	31,517	—	—	—	—
Decrease in restricted cash relating to financing activities	—	—	—	(1,008,948)	—	—	—
Net cash advances repaid to other parties	—	—	—	—	472,355	—	—
Net cash advances received from shareholder of associated companies and joint ventures	—	—	—	—	—	(1,136,705)	—
Net cash advances received from group company of a non-controlling interests	—	—	—	—	—	—	(196,026)
<b>Total changes from financing cash flows:</b>	<b>(1,054,941)</b>	<b>(1,175,278)</b>	<b>31,517</b>	<b>(1,008,948)</b>	<b>472,355</b>	<b>(1,136,705)</b>	<b>(196,026)</b>
Exchange adjustments	(213,032)	—	—	—	—	—	—
Other changes:							
Interest expenses	991,569	—	—	—	—	—	—
Change in restricted cash relating to operating activities	—	—	—	(7,556)	—	—	—
<b>Total other changes</b>	<b>991,569</b>	<b>—</b>	<b>—</b>	<b>(7,556)</b>	<b>—</b>	<b>—</b>	<b>—</b>
At 31 December 2017	(12,865,245)	(5,327,292)	(440,591)	366,363	(110,313)	(1,351,674)	(196,026)



## 43 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

### (a) Senior notes and bonds

*(i) Bonds with principal amount of US\$200,000,000, interest rate at 15 per cent and due date in 2020 ("2020 Bonds B")*

On 16 January 2019, the 2020 Bonds B were issued.

*(ii) Bonds with principal amount of US\$200,000,000, interest rate at 11 per cent and due date in 2019 ("2019 Bonds B")*

The 2019 Bonds B were issued on 17 January 2018 and redeemed on 16 January 2019.

### (b) Disposal of a subsidiary

On 4 April 2019, the Group and an independent third party buyer entered into an Equity Transfer and Cooperation Agreement pursuant to which, the Group agreed to sell and the buyer agreed to buy the Group's 51% equity interests in subsidiaries, which have obtained the land use rights in relation to the project sites located in Silianpian District, Wujiang Town, He Country, Maanshan City, Anhui Province of a total gross floor area of 1,888,000 square metres, for the consideration of RMB2,792,000,000. Upon completion of the Equity Transfer, the Group will hold 49% equity interests in these subsidiaries and the Group and the buyer shall cooperate to develop the project. Details are disclosed in the Company's announcement date 4 April 2019.

## 44 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 28 June 2019.



# Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated or reclassified as appropriate.

## RESULTS

	Year ended 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000 (Restated)	2014 RMB'000
Revenue	<b>11,641,880</b>	10,071,416	5,089,696	3,039,665	3,792,610
Profit before income tax	<b>2,575,394</b>	1,898,816	824,647	742,883	1,736,932
Income tax (expense)/credit	<b>(1,286,263)</b>	(713,365)	349,510	(383,317)	(680,772)
Profit for the year	<b>1,289,131</b>	1,185,451	1,174,157	359,566	1,056,160
Attributable to:					
Equity holders of the Company	<b>855,076</b>	1,024,220	1,169,435	379,042	829,310
Non-controlling interests	<b>434,055</b>	161,231	4,722	(19,476)	226,850
	<b>1,289,131</b>	1,185,451	1,174,157	359,566	1,056,160

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000 (Restated)	2014 RMB'000
Total assets	<b>75,373,285</b>	67,192,831	60,904,508	51,886,873	40,570,688
Total liabilities	<b>(60,085,472)</b>	(52,776,561)	(47,641,759)	(39,309,297)	(28,861,496)
Non-controlling interests in equity	<b>(1,328,650)</b>	(947,041)	(820,232)	(1,103,242)	(625,822)
	<b>13,959,163</b>	13,469,229	12,442,517	11,474,334	11,083,370

