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Mingfa Group (International) Company Limited
明 發 集 團（ 國 際 ）有 限 公 司

（於開曼群島註冊成立的有限公司）
（股份代號：00846）

完成發行220,000,000美元於2021年到期按15%計息的債券
及
海外監管公告

茲提述明發集團（國際）有限公司（「**本公司**」）於2020年1月10日刊發的公告（「**該公告**」），內容有關建議發行債券。除另有界定者外，本公告所用全部詞彙與該公告所界定者具有相同涵義。

董事會欣然宣佈，配售協議項下的所有先決條件已獲達成，而債券的發行已於2020年1月15日完成。

請參閱隨附有關債券的發售通函(「**發售通函**」)，發售通函已於2020年1月16日在新交所的網站刊發。

在聯交所網站刊載發售通函僅為促使向香港投資者同步發佈資料及遵照上市規則第13.10B條，而概無任何其他目的。

發售通函並不構成向任何司法權區的公眾人士提呈出售任何證券的招股章程、通告、通函、冊子或廣告，亦非邀請公眾人士提出認購或購買任何證券的要約，且並非旨在邀請公眾人士提出認購或購買任何證券的要約。

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承董事會命
明發集團(國際)有限公司
公司秘書
潘永存

香港，2020年1月20日

於本公告日期，董事會包括：

執行董事： *黃慶祝先生、黃連春先生、黃麗水先生及劉煜煒先生*

非執行董事： *黃煥明先生(主席)*

獨立非執行董事： *劉建漢先生、朱健宏先生、林家禮博士及陳成禮先生*

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES

You must read the following disclaimer before continuing. The following disclaimer applies to this offering circular following this page and you are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

You acknowledge that the attached offering circular and the information contained therein are strictly confidential and intended for you only. You are not authorised to and you may not forward or deliver the attached offering circular, electronically or otherwise, to any other person or reproduce such offering circular in any manner whatsoever, nor may you disclose the information contained in the attached offering circular to any third party or use it for any other purpose. Any forwarding, distribution, publication or reproduction of the attached offering circular in whole or in part or disclosure of any information contained therein or any use of such information for any other purpose is unauthorised. Failure to comply with this directive may result in a violation of the securities laws of applicable jurisdictions.

Nothing in this electronic transmission constitutes an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where it is unlawful to do so. The securities referred to in the attached offering circular have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under any securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED OFFERING CIRCULAR, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED OFFERING CIRCULAR ON THE BASIS THAT YOU HAVE CONFIRMED TO HEAD & SHOULDERS SECURITIES LIMITED (THE "PLACING AGENT") THAT YOU (I) ARE OUTSIDE THE UNITED STATES AND TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), IN COMPLIANCE WITH REGULATION S; AND (II) CONSENT TO DELIVERY OF SUCH OFFERING CIRCULAR AND AMENDMENTS AND SUPPLEMENTS THERETO BY ELECTRONIC TRANSMISSION.

You are reminded that this offering circular is confidential and has been delivered to you on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this offering circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the placing agent or any affiliate of the placing agent is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the placing agent or such affiliate on behalf of the issuer in such jurisdiction.

This offering circular is being furnished in connection with an offering not subject to registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in this offering circular. You are reminded that the information in the attached offering circular is not complete and may be changed.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

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OFFERING CIRCULAR

CONFIDENTIAL

MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED
明 發 集 團 (國 際) 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

US$220,000,000
15.0% BONDS DUE 2021

Issue Price: 100%
plus, accrued interest, if any, from the issue date

The US$220,000,000 15.0% Bonds due 2021 (the "**Bonds**") will be issued by Mingfa Group (International) Company Limited 明發集團(國際)有限公司 (the "**Issuer**") and bear interest from 15 January 2020 (the "**Issue Date**") at 15.0% per annum payable semi-annually in arrears on 15 July 2020 and 13 January 2021. The Bonds will mature on 13 January 2021. The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations. The Bonds will be issued in denomination of US$200,000 each and integral multiples of US$1,000 in excess thereof.

Following the occurrence of a Change of Control Event (as defined in "Terms and Conditions of the Bonds"), the holder of any Bond will have the right (the Put Right), at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined in "Terms and Conditions of the Bonds") at 101 per cent. of their principal amount, together in each case with accrued interest to (but excluding) the Put Settlement Date.

For a more detailed description of the terms and conditions of the Bonds, see "Terms and Conditions of the Bonds" beginning on page 16.

Investing in the Bonds involves significant risks. See "Risk Factors" beginning on page 11.

Application will be made for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering circular. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer or the Bonds.

The Bonds will be issued in registered form and represented by a global certificate (the "**Global Certificate**") which will be registered in the name of the Hong Kong Monetary Authority (the "**HKMA**") as the operator of the CMU (as defined below) (the "**CMU Operator**"), and shall be deposited on or about the Issue Date with a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU**"), the book-entry clearing system operated by the HKMA. Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, S.A. ("**Clearstream**"), such persons will hold their interests through an account opened and held by Euroclear or Clearstream (as the case may be) with the CMU Operator. Except as described in the Global Certificate, individual certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see the section entitled "Transfer Restrictions" beginning on page 186.

It is expected that the delivery of the Bonds will be made on or about 15 January 2020 against payment therefor in immediately available funds.

Placing Agent

Head & Shoulders Securities Limited

The date of this offering circular is 10 January 2020

TABLE OF CONTENTS

This offering circular does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering circular or that the information contained in this offering circular is correct as of any time after that date.

This offering circular is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Bonds. You should read this offering circular before making a decision whether to purchase the Bonds. You must not use this offering circular for any other purpose or disclose any information in this offering circular to any other person.

We have prepared this offering circular, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Bonds. By purchasing the Bonds, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section headed "Transfer Restrictions" below.

No representation or warranty, express or implied, is made by the Placing Agent or any of its affiliates or advisers as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering circular is, or should be relied upon as, a promise or representation, whether as to the past or the future.

Prospective investors in the Bonds should rely only on the information contained in the final offering circular. Each person receiving this offering circular acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Placing Agent or any person affiliated with it in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates or the Bonds not contained in this offering circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Placing Agent.

Prospective purchasers are hereby notified that sellers of the Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act. We are not, and the Placing Agent is not, making an offer to sell the Bonds in any jurisdiction except where an offer or sale is permitted. The distribution of this offering circular and the offering of the Bonds may in certain jurisdictions be restricted by law. Persons into whose possession this offering circular comes are required by us and the Placing Agent to inform themselves about and to observe any such restrictions. For terms and conditions of the restrictions on offers, sales and resales of the Bonds and distribution of this offering circular, see the sections headed "Transfer Restrictions" and "Subscription and Sale" below.

This offering circular summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering circular. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Bonds by you under any legal, investment, taxation, or similar laws or regulations. You should not consider any information in this offering circular to be legal, business or tax advice. You should consult your own professional advisers for legal, business, tax and other advice regarding an investment in the Bonds.

We and the Placing Agent reserve the right to reject any offer to purchase any Bonds, in whole or in part, for any reason, or to sell less than the aggregate principal amount of the Bonds offered by this offering circular.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we", "us", "our", "the Group" and words of similar import, we are referring to Mingfa Group (International) Company Limited itself, or to Mingfa Group (International) Company Limited and its subsidiaries, as the context requires. When we use the terms "Issuer" and "Company", we are referring to Mingfa Group (International) Company Limited.

Market data and certain industry forecast and statistics in this offering circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us, the Placing Agent or our or their respective directors and advisers, and none of us, the Placing Agent, or our or their respective directors and advisers makes any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This offering circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Bonds, including the merits and risks involved.

The statistics set forth in this offering circular relating to the PRC and the property industry in the PRC were taken or derived from various government and private publications. None of the Placing Agent or their respective directors and advisers makes any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.

References to the "PRC" and "China" are to the People's Republic of China and, for the purposes of this offering circular, except where the context requires, do not include the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau"), or Taiwan. "PRC Government" or the "State" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and organisations of such government thereof, or, where the context requires, any of them.

In this offering circular, "Placing Agent" refers to Head & Shoulders Securities Limited.

Unless the context otherwise requires, each phase of a property development project referred to in this offering circular is considered as a separate property development.

Unless the context otherwise requires, references to "2016", "2017" and "2018" in this offering circular are to our financial years ended 31 December 2016, 2017 and 2018, respectively.

Unless otherwise specified or the context requires, references herein to "Hong Kong dollars", "HK dollars" and "HK$" and "HK¢" are to the official currency of Hong Kong, references herein to "US dollars" or "US$" are to the official currency of the United States of America and references herein to "Renminbi" or "RMB" are to the official currency of the PRC.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering circular, all translations from Renminbi amounts to US dollars were made at the rate of RMB6.8650 to US$1.00, which was the noon buying rate as certified for customs purpose by the H.10 weekly statistical release of the Federal Reserve Board for cable transfers for the Renminbi on 30 June 2019. All such translations in this offering circular are provided solely for your convenience and no representation is made that the RMB amounts referred to in this offering circular could have been or could be converted into Hong Kong dollars or US dollars or vice versa at any particular rate or at all. For further information relating to the exchange rates, see "Exchange Rate Information."

In this offering circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and GFA information presented in this offering circular represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly owned project companies.

Unless expressly stated or the context requires otherwise, all data in this offering circular is as of the date of this offering circular.

In this offering circular, a land grant contract refers to a state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus.

In this offering circular, a land use rights certificate or a certificate of land use rights refers to a state-owned land use rights certificate (國有土地使用證) issued by a local real estate and land resources bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a completion certificate refers to an inspection and acceptance form of construction completion (竣工驗收備案表); and a property ownership certificate refers to a property ownership certificate (房屋所有權證) (or in certain areas of the PRC, a property ownership and land use rights certificate (房地產權證)) issued by a local real estate bureau with respect to the ownership rights of the buildings on the relevant land.

Totals presented in this offering circular may not total correctly because of rounding of numbers.

In this offering circular, unless the context otherwise requires, the following terms shall have the meanings set out below.

"2018 Notes"	13.25% senior notes due 2018 of the Company issued on 1 February 2013 in the principal amount of US$160,000,000 listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 5901) which were fully redeemed by us on 12 February 2018
"2019 9% Bonds"	9% bonds due 2019 issued on or about 22 December 2016 in principal amount of US$60,000,000 pursuant to the placing agreement dated 15 December 2016 made among, the Company and Haitong International Securities Company Limited
"2019 11% Bonds"	11% bonds due 2019 issued on or about 17 January 2018 in principal amount of US$200,000,000 pursuant to the placing agreement dated 11 January 2018 made among, the Company and Head & Shoulders Securities Limited
"2020 11% Bonds"	11% bonds due 2020 issued on or about 18 May 2017 in principal amount of US$220,000,000 listed on SGX-ST pursuant to the placing agreement dated 12 May 2017 made between the Company and Head & Shoulders Securities Limited
"2020 15% Bonds"	15% bonds due 2020 issued on or about 16 January 2019 in principal amount of US$200,000,000 listed on SGX-ST pursuant to the placing agreement dated 10 January 2019 made between the Company and Head & Shoulders Securities Limited
"associate"	has the meaning ascribed thereto under the Listing Rules
"Board of Directors" or "Board"	the board of Directors of our Company
"business day"	any day (other than a Saturday or Sunday) on which banks in the City of New York, London, or Hong Kong are open generally for normal banking business
"BVI"	the British Virgin Islands
"BVI BC Act"	BVI Business Companies Act, 2004 (as amended)
"Controlling Shareholders"	Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun
"Director(s)"	the director(s) of our Company
"Executive Directors"	the executive director(s) of our Company
"independent third party"	a party which, to the best knowledge, information and belief of the Directors having made due and careful enquiry, is independent of and not connected with our Directors, substantial shareholders (within the meaning under the Listing Rules) or chief executive of our Company or any of their respective associates

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Ministry of Land and Resources" or "MLR"	the Ministry of Land and Resources of the PRC
"MOU"	a memorandum of understanding
"SAIC"	State Administration for Industry and Commerce of the PRC which has been reorganized as the State Administration for Market Regulation
"SAT"	the State Administration of Taxation
"State Council"	the State Council of the PRC

FORWARD-LOOKING STATEMENTS

This offering circular includes "forward-looking statements". All statements other than statements of historical fact contained in this offering circular, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in our markets are forward-looking statements. We have tried to identify forward-looking statements by terminology such as "believe", "expect", "aim", "intend", "plan", "will", "may", "anticipate", "seek", "should", "estimate" or similar expressions or the negative thereof. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies;
- our capital expenditure plans;
- various business opportunities that we may pursue;
- our operations and business prospects;
- our financial condition and results of operations;
- availability of and changes to bank loans and other forms of financing;
- the industry outlook generally;
- future developments in and the performance of the property market in the PRC;
- changes in political, economic, legal and social conditions in the PRC, including the PRC Government's specific policies which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property developments;
- our ability to meet financial and other covenants provided under our indentures and loan agreements;
- the timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- changes in currency exchange rates;
- significant delay in obtaining the occupation permits, proper legal titles or approvals for our properties under development or held for future development; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this offering circular. We caution you not to place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this offering circular. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering circular might not occur.

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial statements as of and for the three years ended 31 December 2016, 2017 and 2018 and the condensed consolidated interim financial statements as of and for the six months ended 30 June 2018 and 2019 included in this offering circular have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") which differ in certain respects from generally accepted accounting principles in certain other countries. We record and publish our financial statements in Renminbi.

GLOSSARY OF TECHNICAL TERMS

"ASP"	average selling price
"CAGR"	compound annual growth rate
"commodity properties"	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion
"EIT"	enterprise income tax of the PRC
"GFA"	gross floor area as approved by the relevant PRC Governmental authority or in respect of which application has been made for approval
"land grant contract"	an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer
"LAT"	land appreciation tax
"MOU"	memoranda of understanding
"pre-sale"	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations
"sq.m."	square meter

SUMMARY

This summary aims to give you an overview of the information contained in this offering circular. As this is a summary, it does not contain all the information that may be important to you. You should read this entire offering circular, including our consolidated financial statements and related notes thereto before you decide to invest in the Bonds. There are risks associated with any investment. Some of the particular risks in investing in the Bonds are set out in the section headed "Risk Factors". You should read that section carefully before you decide to invest in the Bonds.

OVERVIEW

We are one of the leading developers of integrated mixed-use commercial complexes and large-scale mixed-use residential properties in China. We also develop hotels and industrial properties such as logistics centres and research and development ("R&D") centres. Geographically, we focus on affluent second and third tier cities in China where we see the potential for substantial economic growth, such as Xiamen and Zhangzhou in Fujian province, Nanjing, Wuxi and Yangzhou in Jiangsu province and Wujiang, Hefei and Jinzhai in Anhui province. Over our 23 years of operation, we have established strong market positions in Fujian province in the Western Straits Economic Zone and Jiangsu province in the Greater Yangtze River Delta. As of 30 June 2019, land bank attributable to the Group was approximately 21.3 million sq.m., consisting of 120 projects in total. Our shares have been listed on The Stock Exchange of Hong Kong Limited ("HKSE") since 13 November 2009 and we had a market capitalisation of approximately HK$11.5 billion as at 31 March 2016 before the suspension of trading of our shares described below.

We began our real estate development business in Xiamen, Fujian province in 1994, focusing on residential and industrial property development and quickly established ourselves as one of the leading developers in Fujian province. Leveraging our well-recognised brand and management capabilities, we expanded our business to Jiangsu province, one of the most affluent provinces in the Greater Yangtze River Delta, in 2002, and Anhui province, one of the most populous provinces in central China, in the second half of 2005. Having established our presence in Fujian and Jiangsu provinces, we expanded into Liaoning province, Shanghai and Beijing in 2010 and further expanded to Anhui province in 2014. We have developed and implemented a "selected regional focus growth strategy, by which we initially focus on the development of a broad range of properties in key cities in the region where we have an established local presence and market share. We then selectively expand our presence in neighbouring cities which are experiencing strong economic growth. Going forward, we intend to continue to implement our "selected regional focus growth strategy and continue to expand our operations into selected high-growth areas across different provinces in China.

We initially focused on developing residential and industrial properties. Since 2004, in an effort to diversify our source of income and improve our financial stability, we strategically and gradually expanded our product range to include more integrated mixed-use commercial complexes, large-scale, mixed-use residential projects and other types of properties, such as logistics centres, R&D centres and hotels. Our diversified product portfolio helps us to manage our business exposure and alleviate the market risks associated with any single category of properties, provides greater visibility and less fluctuations in our revenue streams and puts us in a better position to mitigate market cyclicality in the PRC. In addition to property development, we have also established property management companies to provide the tenants and owners of our properties with all-round services, including rental services and daily maintenance services. We believe that the provision of quality property management services can potentially increase the value of our properties in the long term.

Over the years, we have received a number of awards, including "Leading Fujian Real Estate Enterprises in China in 2011" by China Real Estate Business, China Real Estate, Fujian Businessman Conference Organizing Committee, "Top 10 Real Estate Development Enterprises in Xiamen in 2011" by China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal Center, and "Popular Commercial Property in Real Estate in 2011" by China Real Estate Information Corporation. See "Business — Our Competitive Strengths — Strong brand recognition."

Our principal business activities are as follows:

Commercial complexes

Most of our integrated mixed-use commercial complexes are located at strategic locations and form the landmarks of new city centres in high-growth areas in second and third tier cities, with easy access to existing city centres and neighbouring cities. Our commercial complexes increase traffic of the surrounding neighbourhoods and stimulate growth and development of these neighbourhoods. We believe that our focus on such locations allows us to continue to acquire sizeable sites that are suitable for the development of our large-scale commercial complexes at competitive costs.

Our integrated mixed-use commercial complexes typically have total GFAs ranging from approximately 400,000 sq.m. to 700,000 sq.m., and comprise a combination of retail stores, offices, hotels, entertainment centres, residential properties and other ancillary facilities. We sell some of the units in these commercial complexes and retain the remaining units to generate recurring rental income and for long-term capital appreciation, depending on the specific project's cash flow requirement and local market conditions. We had 1,059,308 sq.m. of attributable commercial GFA held for investment as at 30 June 2019. We also seek to establish long-term relationships with leading international and domestic brands for our commercial complexes. In addition, we usually enter into long term arrangements and leases with fixed terms ranging from 10 to 20 years with our anchor tenants which include international and domestic brands such as Carrefour, Yong Hui Supermarket, Suning Appliance, B&Q, Xiamen City Zhongmin Baihui Department Store, Letian Supermarket, Hanting Inns & Hotels, Jin Yi Cinema and China Film Group International Cinemas. We believe that securing such long-term anchor tenants enables us to enhance the profile, reputation and attractiveness of our commercial complexes, which in turn will increase their overall commercial values.

Residential properties

Our residential property development projects cover a wide range of products, including high-rise apartment buildings, low-rise apartment buildings and townhouses that meet the housing needs of broad customer segments, from middle-income customers seeking improved living conditions at a reasonable cost to more affluent customers.

Our large-scale mixed-use residential projects typically have total GFAs ranging from 300,000 sq.m. to 3,700,000 sq.m. and are either strategically situated in city centres with convenient transportation, or developed as part of our large scale mixed-use residential complexes. These residential projects usually consist of a mid-sized commercial mall or a cluster of commercial units which are surrounded by high rise apartment buildings and townhouses. Our projects also typically include ancillary facilities, such as clubhouses, retail spaces, schools and hospitals. We believe that we are able to derive substantial synergies from our integrated mixed-use project developments as the businesses within these developments provide essential products and services to the residents, whose patronage of the surrounding businesses bring significant foot traffic to our commercial complexes. We believe our integrated mixed-use properties form the cornerstones of new city centres in these regions, attract new businesses to the areas and lead to strong market demand and capital gains potential for our properties.

We usually develop our residential projects in phases over a period of two to six years. Pre-sales of residential properties during the development process allow us to recover our initial investment before the completion of these projects and reduce our working capital needs and funding risks for the projects.

Logistics centres and R&D centres

Our logistics centres and R&D centres are located in new economic zones of high-growth second and third tier cities. Our logistics centres meet the needs of domestic enterprises in industries such as construction materials, metals, chemicals, leather, textiles and electronics. These centres consist of various types of facilities, including exhibition halls, warehouses, data centres and research facilities and provide a variety of ancillary services. We engage third-party property management companies to manage daily operations of these centres and lease these properties to generate rental income.

Hotels

As at 30 June 2019, we held one hotel for investment with a total attributable GFA of approximately 10,925 sq.m. in Xiamen and Quanzhou in Fujian province. Meanwhile, we have 2 hotels that are managed by various domestic and international hotel management groups in various cities in Fujian and Jiangsu provinces. In addition, we have 9 self-operated hotels and six hotels under development.

As part of our business strategy, we aim to hold a portion of the commercial properties for investment purposes, depending on the Company's and project's cash flow. We view this as a source of recurring rental income and future capital appreciation potential. Currently, our investment property portfolio comprises integrated mixed-use commercial complexes, R&D centres, and hotels. This allows us to diversify risks and improve our revenue stability, thereby reducing our exposure to volatility within any particular property segment and enhancing our long-term financial performance.

PROJECTS

As at 30 June 2019, we had a total of 120 projects at various stages of development. As of such date, the completed properties available for sale or lease had an aggregate attributable GFA of approximately 2.5 million sq.m., the properties under development had an aggregate attributable GFA of approximately 14.5 million sq.m., and the properties held for future development had an aggregate attributable GFA of approximately 4.3 million sq.m. In addition, as at 30 June 2019, the total planned GFA for the properties that we had obtained pursuant to MOU with governmental bodies and acquisitions of project companies was approximately 19.6 million sq.m. See "Business — Memoranda of Understanding with Government Bodies."

REVENUE AND PROFITS

For the three years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, our revenues were RMB5,089.7 million, RMB10,071.4 million, RMB11,641.9 million, RMB6,518.0 million and RMB4,118.9 million, respectively. Profits attributable to equity holders of the Company for the corresponding years were RMB1,169.4 million, RMB1,185.5 million, RMB1,289 million, RMB954 million and RMB449.9 million, respectively.

RECENT DEVELOPMENTS

Our performance for the nine months ended 30 September 2019

For the nine months ended 30 September 2019, we achieved unaudited contracted sales of approximately RMB8.52 billion in total, representing a decrease of approximately 36.2% when compared to the same period in 2018 (approximately RMB13.36 billion) in the following regions:

City	Area	Average Selling Price	Amount	Percentage
	(sq.m.)	(RMB/sq.m.)	(RMB in million)	(%)
Nanjing, Jiangsu Province	92,200	20,772	1,915.2	22.5%
Zibo, Shangdong	73,594	9,892	728.0	8.5%
Lai'an, Anhui Province	103,805	6,820	708.0	8.3%
Jinzhai, Anhui Province	101,957	5,611	572.1	6.7%
Changsha, Hunan Province	86,902	6,436	559.3	6.6%
Taizhou, Jiangsu Province	67,243	6,420	431.7	5.1%
Chizhou, Anhui Province	47,567	8,606	409.4	4.8%
Ma'anshan, Anhui Province	56,391	6,702	377.9	4.4%
Guang'an, Sichuan Province	68,758	5,017	345.0	4.1%
Quanjiao, Anhui Province	54,753	5,936	325.0	3.8%
Wuhu, Anhui Province	47,651	6,299	300.1	3.5%
Chuzhou, Anhui Province	26,131	8,595	224.6	2.6%
Sihong, Jiangsu Province	26,196	7,828	205.1	2.4%
Shenyang, Liaoning Province	25,758	6,785	174.8	2.1%
Fengxian, Jiangsu Province	27,979	6,039	169.0	2.0%
Zhenjiang, Jiangsu Province	27,400	5,718	156.7	1.8%
Suqian, Jiangsu Province	24,374	6,232	151.9	1.8%
Others	110,381	6,922	764.1	9.0%
	1,069,040	7,968	8,517.6	

Subsequent Events

On 25 July 2019, we made an announcement on certain subsequent events.

Connected Transactions — Sales of House Use Rights

On 25 December 2013, the Company entered into the House Use Rights Transfer Contracts with Mr. Huang Qingzhu, Mr. Huang Po Wing, Ms. Huang Wai Fong, Mr. Huang Po Ka, Mr. Huang Honghui, Mr. Wong Wun Ming, Mr. Huang Zhibin and Ms. Huang Xiaoling (the "Purchasers"), pursuant to which the Company agreed to sell and each of the Purchasers agreed to purchase the House Use Rights of eight villas located at Xiamen Mingfa Harbour Resort (廈門明發海灣度假村). The aggregate selling price of the House Use Rights is RMB189,000,000.

Each of the Purchasers is a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the House Use Rights Transfer Contracts and the Sales constituted connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the House Use Rights Transfer Contracts were entered into on the same date, they should be aggregated pursuant to Rule 14.22 of the Listing Rules. Since one or more of the applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules for the House Use Rights Transfer Contracts exceeds 0.1% but is less than 5% in aggregate, the House Use Rights Transfer Contracts and the Sales are subject to the announcement and reporting requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Discloseable and Connected Transaction — Proposed Disposal of 51% Equity Interests in Tianjin Subsidiary and Subsequent Termination

On 20 December 2014, the Company, as seller, and Mr. Wong Wai Choi, as purchaser, entered into the Equity Transfer Contract, pursuant to which the Company agreed to sell, and Mr. Wong Wai Choi agreed to purchase, 51% equity interests in the Tianjin Subsidiary at the consideration of RMB663 million, which should be settled within nine months from the date of signing of the Equity Transfer Contract.

On 30 April 2015, the Company and Mr. Wong Wai Choi entered into the Supplemental Agreement to the Equity Transfer Contract pursuant to which the parties agreed that, among other things, Mr. Wong Wai Choi should pay to the Group not less than 70% of the consideration for the Proposed Equity Transfer by 31 December 2015 and the remaining balance by 30 June 2016.

The Proposed Equity Transfer was subsequently terminated on 10 September 2016 pursuant to the Cancellation Agreement.

As one or more of the applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules for the Equity Transfer Contract exceeds 5% but is less than 25%, the Proposed Equity Transfer constituted a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Mr. Wong Wai Choi is the cousin of Mr. Wong Wun Ming, the chairman of the Board, a non-executive Director and a controlling shareholder of the Company, and Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui, the executive Directors, and is a deemed connected person of the Company under Rule 14A.21 of the Listing Rules. Accordingly, the Proposed Equity Transfer also constituted a connected transaction of the Company, which is subject to the reporting, announcement, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As the Proposed Equity Transfer was terminated, the resolution in relation to the Proposed Equity Transfer will not be put forward for the approval by the independent shareholders of the Company.

Delay in Publication of Announcements

The House Use Rights Transfer Contracts were entered into on 25 December 2013 and the Equity Transfer Contract was entered into on 20 December 2014. The House Use Rights Transfer Contracts and the Equity Transfer Contract were not properly reported and therefore, the Company had failed to recognize that the Sales would amount to non- exempt connected transactions under Chapter 14A of the Listing Rules and the Proposed Equity Transfer would constitute a discloseable and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules and no actions were taken to comply with the relevant requirements under Chapters 14 and 14A of the Listing Rules at the material time.

The Company admits that the delay in the publication of the announcement constitutes a breach of Rule 14.34 and Rule 14A.35 of the Listing Rules. The Company and the Board sincerely apologize for any inconvenience caused to the Shareholders and investors of the Company due to the non-compliance. In light of the breaches and related Audit Matters, the Company has taken remedial measures. Please refer to the announcement of the Company dated 25 July 2019 for further details.

The Board is of the view that proper systems and structure has been put in place and the Company is well-positioned to adhere to and execute the new internal control systems and procedures, which in turn will enable the Company to comply with the relevant requirements under the Listing Rules and prevent similar breaches of the Listing Rules in the future.

Saved as the abovementioned, there was no matter between the balance sheet date (that is, 30 June 2019) and the date of interim report 2019 that would cause a material impact to the Group.

Suspension of Trading

On 1 April 2016, subsequent to our announcement of the consolidated annual results of the Group for the year ended 31 December 2015 (the "2015 Results") and the extract of independent auditor's report (the "2015 Report") on the Company's consolidated financial statements for the year ended 31 December 2015 and at our request, trading in our shares and the 2018 Notes on the Main Board of HKSE was suspended.

On 29 April 2016, HKSE issued a letter informing the Company of the following conditions which the Company must satisfy before it is allowed to resume trading (the "Resumption Conditions"):

(i) conduct an appropriate investigation on the matters identified by the Auditor, disclose the findings of the investigation, assess the impact on the Company's financial and operational positions, and take appropriate remedial actions;

(ii) address the audit qualifications on the 2015 Annual Results; and

(iii) inform the market of all material information for the shareholders and the investors to appraise the Group's position.

On 27 July 2018, the Company received a letter from HKSE informing the Company the decision of HKSE to further impose the following resumption condition (the "Further Resumption Condition"):

— publish all outstanding financial results and address any audit modifications,

and for the avoidance of doubt, the Company is still subject to all the other Resumption Conditions. Should future development necessitates, HKSE may modify or impose further conditions.

On 16 July 2019 and 26 July 2019, the Company submitted the Resumption Report and the Supplemental Report to the Stock Exchange in relation to the Company's progress of fulfillment of the Resumption Conditions, and application for the confirmation for trading resumption from the HKSE.

On 26 July 2019, the Company announced and disclosed the summary of key findings of independent forensic investigations, the summary of audit opinion of the audited consolidated financial statements for the financial years ended 31 December 2016, 2017 and 2018 and the supplemental information of internal control review.

On 25 November 2019, in response to the further enquiries from the HKSE, we provided the requested further information to the HKSE. As at the date of this offering circular, we are awaiting confirmation from the HKSE in response to our application for confirmation for resumption of trading of our shares on the HKSE.

COMPETITIVE STRENGTHS

We believe we are well-positioned to take advantage of the continued development of the property market in the PRC and can leverage the following competitive strengths:

- Proven track record and strong execution capabilities in developing and managing integrated mixed-use commercial complexes and large-scale mixed-use residential properties
- Balanced, efficient and scalable business model
- Sizeable, diversified and high-quality land bank acquired at competitive costs
- Leading position in the Western Straits Economic Zone and Greater Yangtze River Delta
- Efficient management structure, experienced management team and professional workforce
- Strong brand recognition

Please refer to the section headed "Business — Our Competitive Strengths" in this offering circular for further description of these strengths.

BUSINESS STRATEGIES

Our key business strategies are to:

- Focus on second tier and third tier cities through our "selected regional focus growth strategy
- Maintain our low land costs by acquiring new high-quality sites at strategic locations at competitive costs
- Continue to focus on the development of integrated mixed-use commercial complexes and large-scale mixed-use residential properties
- Prudent expansion of our investment property portfolio to reduce fluctuations in our income streams
- Continue to maintain optimal capital structure

Please refer to the section headed "Business — Our Strategies" in this offering circular for further description of these strategies.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this offering circular. For a more detailed description of the Terms and Conditions of the Bonds, see "Terms and Conditions of the Bonds". Terms used in this summary and not defined shall have the same meanings given to them in "Terms and Conditions of the Bonds."

Issuer	Mingfa Group (International) Company Limited.
Bonds Offered	US$220,000,000 aggregate principal amount of 15.0% Bonds due 2021 (the "Bonds").
Offering Price.	100% of the principal amount of the Bonds.
Maturity Date	13 January 2021.
Interest	The Bonds will bear interest from and including 15 January 2020 at the rate of 15.0% per annum, payable semi-annually in arrears.
Interest Payment Dates . .	15 July 2020 and 13 January 2021.
Ranking of the Bonds . . .	The Bonds are: • direct, unsubordinated, unconditional and unsecured obligations of the Company; • ranked *pari passu* without any preference among themselves; • ranked at least equally with all its other present and future unsecured and unsubordinated obligations.
Use of Proceeds	We intend to use the net proceeds to refinance certain existing indebtedness of the Group and for general corporate purposes.
Repurchase of Bonds Upon a Change of Control Event	Following the occurrence of a Change of Control Event, the holder of any Bond will have the right, at such holder's option, to require the Company to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date at 101% of their principal amount, together in each case with accrued interest to (but excluding) the Put Settlement Date.
Covenants	The Bonds and the 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 with certain compliance certificate within 7 business days of publishing of the Company's annual and semi-annual financial statements;

- to use best endeavours to maintain the listing of the Company on HKSE website;
- to use best endeavours to maintain the listing of the Bonds on SGX-ST; and
- These covenants are subject to a number of important qualifications and exceptions described in "Terms and Conditions of the Bonds — Certain Covenants."

Transfer Restrictions. . . .	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The Bonds will be issued in registered form in amounts of US$200,000 and in integral multiples of US$1,000 in excess thereof. The Bonds will initially be represented by a Global Certificate, in registered form and without coupons, deposited on or before the Closing Date with, a sub-custodian for the CMU Service or any other clearing system. Except in limited circumstance described in the Fiscal Agency Agreement, definitive certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Fiscal Agent, Paying Agent, CMU Lodging and Paying Agent, Registrar and Transfer Agent	Haitong International Securities Company Limited.
Clearing Systems	The Bonds will be issued in registered form and represented by a Global Certificate which shall be registered in the name of the HKMA as operator of, and shall be lodged with a sub-custodian for, the CMU, the book-entry clearing system operated by the HKMA. The Global Certificate will be held for the account of CMU members who have accounts with the CMU Operator, or the CMU participants. Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream (as the case may be) with the CMU Operator. Except as described the Global Certificate, individual certificates for Bonds will not be issued in exchange for interests in the Global Certificate. Except as described in the Global Certificate, individual certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Clearing and Settlement .	The Bonds have been accepted for clearance by the CMU under the CMU Instrument Number HTISFB20001. The ISIN and Common Code for the Bonds is HK0000555653 and 210251588 respectively.
Notices and Payment . . .	So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of the CMU Operator, any notice to the holders of the Bonds may be given by delivery of the relevant notice to the account holders shown in a CMU instrument position report issued by the CMU Operator on the business day preceding the date of despatch of such notice as holding interests in the Global Certificate, and payments on the Bonds shall be made to the person(s) for whose account(s) interests in the Global Certificate are credited (as set out in a CMU instrument position report).
Listing.	The Company will seek a listing of the Bonds on the SGX-ST. Approval in-principle by the SGX-ST and the listing of the Bonds are not to be taken as an indication of the merits of the Company, the Bonds or the placement.
Governing Law	The Bonds, the Placing Agreement and the Fiscal Agency Agreement will be governed by and will be construed in accordance with the laws of Hong Kong.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see “Risk Factors.”

RISK FACTORS

Prospective investors should carefully consider the risk factors described below, as well as the other information contained elsewhere in this offering circular. The risks described below are not the only ones relevant to us or the Bonds. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the possible events described below occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, and investors could lose all or part of their investment.

RISKS RELATING TO OUR BUSINESS

The global economic slowdown and financial crisis have negatively impacted, and may continue to adversely affect our business, liquidity, financial condition, results of operations and prospects

The global economic slowdown and turmoil in the global financial markets have affected the PRC economy, which in turn has affected the PRC real estate industry.

On 6 August 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, has slowed the pace of the global economic recovery and could lead to another global economic downturn and financial market crisis.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. More recently, on 23 June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favoured the exit of the United Kingdom from the European Union ("Brexit"). On 29 March 2017, the United Kingdom triggered Article 50 of the European Union's Lisbon Treaty, opening a two-year window, which was extended to 31 October 2019, for negotiations that will determine the future terms of the United Kingdom's relationship with the European Union, as well as whether the United Kingdom will be able to continue to benefit from the European Union's free trade and similar agreements. The United Kingdom is currently scheduled to leave the European Union on 31 January 2020, nevertheless, there is a great deal of uncertainty as to whether that will happen, and if so, how. There is no assurance as to whether the United Kingdom will (i) leave the European Union on 31 January 2020 without a withdrawal agreement in place; (ii) leave the European Union on 31 January 2020 with a withdrawal agreement in place, which provides for a transition period (likely until the end of 2020, but possibly longer) during which time European Union law will continue to apply in the UK; or (iii) halt/cancel Brexit altogether. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries continue to face difficulties surrounding sovereign debt. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may slow due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminum imports from China, and later on 6 July 2018, the United States imposed 25% tariffs on US$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States' products. On 18 September 2018, President Donald Trump imposed 10% tariffs on approximately US$200 billion worth of Chinese goods and plans to further increase the rate to 25% in January 2019. In return, the PRC responded with tariffs on US$60 billion of U.S. goods. The rhetoric surrounding the trade war continues to escalate and the amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the PRC real estate industry uncertain. Should the trade war between the United States and the PRC intensify, it would have a material and adverse impact on our business, financial condition and results of operation. Moreover, as the PRC is transitioning to a consumption-based economy, the forecast growth rate of the PRC is expected to be significantly lower than its average growth rate over the past thirty years.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be negatively affected.

We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow or access to financing to fund our operations or to service our financing obligations

The property development business is capital intensive. It typically requires substantial capital outlays for land acquisition and property development and may take months or years before a cash inflow, if any, can be generated by the pre-sale or sale of a completed property development. As of 31 December 2016, 2017 and 2018 and 30 June 2018 and 2019, our commitments for capital and property development expenditure were RMB8,929.5 million, RMB7,397.5 million, RMB7,844.2 million, RMB8,341.2 million and RMB9,146.7 million (US$1,332.4 million), respectively. We cannot assure you that we will be able to achieve or maintain a net cash inflow from operating activities in the future, and any decline or under-performance of our pre-sales or sales, and any other matter adversely impacting our net cash outflow, could adversely affect our financial condition.

In order to finance our capital intensive business, we have maintained a high level of indebtedness, of which a large amount is secured by certain of our properties and land use rights. As of 31 December 2016, 2017 and 2018 and 30 June 2018 and 2019, our total borrowings amounted to RMB12,588.8 million, RMB12,865.2 million, RMB10,839.5 million, RMB12,569.8 million and RMB8,463.5 million (US$1,232.8 million) respectively. Of our total borrowings as of 30 June 2019, RMB6,939.9 million (US$1,010.9 million) was due within a period of not more than one year and RMB1,523.7 million (US$221.9 million) was due within a period of more than one year.

Our ability to do so will depend on a number of factors, many of which are beyond our control. The PRC government has in the past implemented a number of policy initiatives in the financial sector to tighten lending requirements in general, such as by increasing the reserve requirement ratio for financial institutions in the PRC from time to time since 2010, and in particular for property developers, which, among other things:

- forbid PRC commercial banks from granting loans to property developers for funding the payments of land grant fees;
- forbid PRC commercial banks from granting loans to a property developer if the property developer's internal funds available for the relevant project are less than 20% of the total estimated capital required for such project;

- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land or vacant commodity properties;

- prohibit the grant of new project loans to property developers that leave land parcels idle or are engaged in land speculation;

- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;

- prohibit property developers from financing property developments with loans obtained from banks in regions outside the location of the relevant property developments; and

- restrict PRC commercial banks from providing loans to property developers to develop luxury residential properties.

We cannot assure you that we will have adequate cash flow to service our financing obligations. Our inability to obtain sufficient funding in a timely manner or on terms that are acceptable to us could hinder our expansion plans and materially and adversely affect our business, results of operations and financial condition.

Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Bonds and other debt;

- increase our vulnerability to adverse general economic and industry conditions;

- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;

- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;

- place us at a competitive disadvantage compared to our competitors that have less debt;

- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and

- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the terms and conditions of the 2019 9% Bonds, the 2020 11% Bonds, 2019 11% Bonds, the 2020 15% Bonds and the Bonds prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratios requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See "Description of Other Material Indebtedness" and "Risk Factors — Risks Relating to our Business — We rely principally on dividends paid by our subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a materially adverse effect on our ability to make timely payment of interest and principal under the Bonds and conduct our business". Such restrictions in the 2019 9% Bonds, the 2020 11% Bonds, 2019 11% Bonds, the 2020 15% Bonds and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Bonds and other debt.

We are highly dependent on the performance of the PRC property market, particularly in Fujian province in the Western Straits Economic Zone, Jiangsu province in the Greater Yangtze River Delta and Liaoning province

Our business and prospects are subject to the conditions of the PRC property market, particularly in Fujian province in the Western Straits Economic Zone, Jiangsu province in the Greater Yangtze River Delta and Liaoning province in North-eastern China. Growth in demand for commercial and residential properties in the PRC is often coupled with volatility in market conditions and fluctuations in property prices. We cannot assure you that our property development and investment activities will continue to grow at a rate similar to past levels or that we will always be able to capitalize on the future growth, if any, of the property market of the PRC. If we cannot adapt timely to future changes in market conditions or customer preferences, our results of operations may be materially and adversely affected.

The PRC property market is affected by many factors, including changes in the PRC's political, economic and legal environment, and the lack of a mature and active secondary market for commercial and residential properties. As the majority of our projects and property developments are located in the Western Straits Economic Zone, Greater Yangtze River Delta and Liaoning province, we expect that our business and prospects will be heavily affected by the state of the property market in these regions. Any over-development, market downturn, or fluctuations in property prices in China in general and in particular these regions would have a material adverse impact on our business, financial condition, results of operations and prospects. Furthermore, the PRC Government from time to time adjusts its fiscal and monetary policies to adjust the rate of growth of the PRC national economy and local economies, and such adjustments may affect the property market in the regions where we have, and will have, property developments.

The PRC Government has from time to time announced a series of measures designed to stabilise the development of the real estate market, to a more sustainable level. For a detailed discussion of policy or other government measures that may affect our business, see "Risk Factors — Risks Relating to Our Industry — The restrictive measures adopted from time to time by the PRC Government to curtail the overheating of, and foreign investment in, the PRC real estate market could slow the industry's rate of growth or cause the real estate market to decline." Furthermore, we cannot assure you that the PRC Government will not implement additional measures to restrict the growth or curb the overheating of the PRC real estate market, or that there will not be material adverse changes in the PRC economy and the PRC real estate market as a result of such policies, measures and/or regulations. Any such changes could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully manage our growth

We have been rapidly expanding our operations in recent years. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement and effective management information system. To manage effectively our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and future growth, we need to have sufficient internal resources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects. In addition, our internal control systems and compliance procedures may have deficiencies and weaknesses such that we may not be able to maintain effective internal control. Our internal control systems and compliance procedures are essential to the operations and results of our business. While we have taken steps to improve these systems and procedures, we cannot assure you that in the future any deficiencies and weaknesses therein will not have a material adverse effect on our reputation, business and results of operations.

We may not be able to locate or acquire suitable sites for our future projects at a reasonable cost, or at all

Major PRC cities, including those in the Western Straits Economic Zone and Greater Yangtze River Delta have experienced an increase in land cost in recent years and there is a limited supply of suitable land available for development in such cities. As a result, we may not be able to acquire suitable land at a reasonable cost. We may also face strong competition from other property developers for the sites we target to acquire and cannot assure you that we will be able to acquire these sites at reasonable costs, or at all.

Furthermore, our ability to acquire land is regulated by the PRC Government and the relevant local authorities who control the supply of substantially all land and their approved usage which in turn affects the price at which land can be acquired. Specific regulations are in place to control the way through which land is acquired and developed. Further changes in government policy with regard to land supply and development may lead to increases in our costs of acquiring land and limit our ability to successfully acquire land at reasonable cost, which would have a material adverse impact on our business, financial condition, results of operations and prospects.

We may not be able to obtain land use rights certificates for certain existing properties or properties we may acquire in the future

In order to develop and sell real estate in the PRC, property developers are required to obtain land use certificates from the relevant government authorities. The land use rights certificate in respect of a piece of land will not be issued until the developer has executed the land use rights grant contract with the relevant authorities, made full payments of the land premium and complied with the use rights and any other land grant conditions. There is no assurance that the Group will enter into formal land grant contracts, or that the relevant PRC Government authorities will grant the appropriate land use rights or issue the relevant land use rights certificates in respect of these parcels of land or in respect of other land the Group may contract to acquire in the future, in a timely manner, or at all.

We have entered into MOU with various PRC Government entities with an intention to facilitate potential acquisition of land use rights to certain parcels of land located in several cities in China. As at 30 June 2019, the Group entered into 10 uncompleted MOU for projects with a total planned GFA of approximately 19.6 million sq.m. 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 2013. These MOU are not binding and are not land use rights grant contracts or project company acquisition agreements pursuant to which land use rights can be secured with reasonable certainty. Notwithstanding such MOU, we are still required by the relevant PRC laws and regulations to go through the public tender, auction or listing-for-sale procedures, or to obtain relevant government approvals and, if successful, enter into a land grant contract and pay the relevant land premium before we can obtain the land use rights with respect to the land parcels under these MOU. We cannot assure you that the relevant PRC Government authorities will grant us the land use rights or issue the relevant land use rights certificates in respect of these parcels of land, or that these MOU will eventually result in our acquisition of any land use rights or our entry into any land use rights grant contract with the relevant PRC Government authorities.

If we fail to obtain or experience material delay in obtaining the land use rights with respect to any parcels of land, or at all, our business, financial condition and results of operations may be materially and adversely affected. See "Business — Description of Our Projects — Memoranda of Understanding with Government Bodies."

In addition, there are risks with respect to the enforcement of the MOU in connection with our land acquisitions, particularly in light of their relatively long execution periods in certain cases, and potential changes in PRC Government policies. We cannot assure you that PRC Government policies related to our projects will not change in the future or there will not be changes in the manner of implementation of these agreements. Further, we cannot assure you there will not be any modifications to the terms in these agreements that are favourable to us. In addition, the law and practice relating to enforcement of the MOU against PRC Government entities involve uncertainty, and we cannot assure you that such agreements can be enforced or at all. If any of these agreements is not implemented as agreed, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We have made certain payments in connection with the MOU and other arrangements in relation to land acquisition and we may suffer as a result of default by any counterparty in its obligation to refund our payments if the land acquisition fails to materialise

As at 30 June 2019, we had made certain payments in connection with MOU and other arrangements in relation to land acquisition. These payments are unsecured and paid directly to the counterparties or to the project companies instead of escrow accounts. Although the recoverability of these payments, if in the form of down payment or deposit, is specified in the contracts, the timeframe and method for the refund are not specified and there is no mechanism in place to prevent any potential misuse of these funds by the counterparties or to ensure funds will be available when refund is due.

Furthermore, the collection process may be time consuming and could potentially divert our management and financial resources especially if we have to protect our claims through litigation in the event of default. If our counterparties default in their obligations to refund our down payments or deposits, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may forfeit land to the PRC government if we fail to develop properties in accordance with the terms and timeframe set out in the land grant contracts

Under PRC law, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land grant premium, demolition and resettlement costs and other fees, the designated use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, and order us to forfeit the land.

Specifically, under current PRC laws, if we fail to commence development of land for more than one year but less than two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning to us and impose an idle land fee on the land of up to 20% of the land grant premium. The relevant PRC land bureau also may confiscate our land use rights without compensation if we fail to commence development within two years from the construction commencement date set forth in the land grant contract, unless the delay in the development is caused by government actions or force majeure. Moreover, if a property developer commences development of the land in accordance with the timeframe stipulated in the land grant contract and the developed GFA on the land is less than one-third of the total proposed GFA of the project or the total invested capital is less than one-fourth of the total investment of the project, and the development of the land is suspended for more than one year without government approval, the land may be treated as idle land and be subject to risk of forfeiture.

In September 2007, the Ministry of Land and Resources issued a notice to strengthen control over the supply of land by requiring developers to develop land according to the terms of the land grant contracts and restricting the participation of non-compliant developers in land auctions. In January 2008, the State Council issued the Notice on Promoting the Land Saving and Efficient Use (關於促進節約集約用地的通知) (國發[2008]3號) to intensify the enforcement of rules on idle land management. Furthermore, the Ministry of Land and Resources issued the Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) (國土資發[2009]106號) in August 2009, which reiterates the existing rules regarding idle land management. On 1 June 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (閒置土地處置辦法) (國土資源部令第53號), which became effective on 1 July 2012. These measures require the competent land authorities not to accept any application for new land use rights or process any title transfer transaction, lease transaction, mortgage transaction or land registration application in respect of any idle land before the completion of the required rectification procedures. Our business operations are subject to these measures, which may restrict our development plans and materially and adversely affect our results of operations, prospects and financial condition.

We require substantial capital resources to acquire land and develop our existing and future projects, which may not be available on commercially available terms, or at all, and are subject to market demand and policy changes

Real estate development is capital intensive. The availability of adequate financing is crucial to our ability to acquire land and to complete our projects. We finance our real estate development activities primarily through a combination of funding from bank borrowings, convertible bonds as well as pre-sale and sale proceeds from our developed projects. Historically, we also relied on interest-free loans from our Controlling Shareholders to fund our operations. There is no assurance that such loans from our Controlling Shareholders will continue to be available to us in the future.

Our ability to arrange adequate financing for land acquisitions or real estate developments on terms commercially acceptable to us depends on a number of factors, many of which are beyond our control, including the prevailing market conditions, government policy and regulation, availability of credit, interest rates and investor or lender perception of our business and our future results of operations. The PRC Government has in recent years introduced numerous policy initiatives in the financial sector to further tighten the requirements for lending to property developers including raising reserve requirements for PRC banks and raising lending rates several times in the past 12 months. As a result, we may not be able to obtain bank borrowings or funding from other sources in the future on favourable terms, or at all, which could have a material adverse impact on our business, financial condition, results of operations and prospects.

In addition to bank borrowings, we utilise proceeds from pre-sales and funds generated from our operations as an important source of financing for our real estate developments. We cannot assure you that we can achieve sufficient pre-sales to finance a particular development. Any restriction on our ability to pre-sell or sell our properties, including any increase in the amount of upfront expenditures we must incur prior to obtaining a pre-sale permit, or any restriction on our ability to utilise the pre-sale proceeds, including as a result of changes to PRC laws and regulations governing the use of pre-sale proceeds, would extend the time required to recover our capital outlay and could require us to seek alternative means to finance the various stages of our real estate developments. Our ability to generate cash depends on the demand for and prices of our properties and our ability to continually develop and sell or lease our properties. Furthermore, purchasers who pay the purchase price in instalments under sales or pre-sales contracts may not make timely payments and this may have a material adverse impact on our liquidity. Any restriction on our ability to pre-sell or sell, any change in our ability to generate profits from our operations or our ability to collect instalments from the purchasers could have a material adverse impact on our business, financial condition, results of operations and prospects.

We may not have adequate resources to fund land acquisitions or property developments or to service our financing obligations.

We require significant funding to acquire land and develop property. Our property development projects are generally funded through internally generated funds from pre-sale of properties, bank loans and issuance of equity, bonds and convertible bonds. We expect to continue to fund our projects through such sources.

Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties, some of which are beyond our control, including:

- requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets;
- our future results of operations, financial condition and cash flows;
- the condition of the international and domestic financial markets and financing availability thereof;
- changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices; and
- changes in policies regarding regulation and control of the real estate market.

The PRC government has implemented a number of measures to manage money supply growth and credit availability, especially with respect to the property development sector.

For example:

- the People's Bank of China ("PBOC") has adjusted the Renminbi deposit reserve ratio several times since 2010;
- the PBOC has adjusted the benchmark one-year bank lending rate many times since 2008;
- commercial banks may not grant loans to property developers to pay land premiums; and
- the CBRC has issued guidelines that require at least 25% of the total investment in a property project to be funded by the developer's own capital.

The above measures and other similar government actions and policy initiatives have limited our ability and flexibility in incurring additional indebtedness to finance our property projects. We cannot assure you that the PRC government will not introduce other initiatives that may further limit our access to capital, or that we will be able to secure adequate financing or renew our existing credit facilities on commercially reasonable terms, or at all.

Our financing costs are subject to changes in interest rates

As of 30 June 2019, our aggregate borrowings were RMB8,463.5 million. As such, we have substantial interest obligations for our borrowings, and for the years ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2018 and 2019, our interest expense on borrowings (including the capitalized portion) was RMB1,030.6 million, RMB991.6 million, RMB1,011.2 million and RMB389.6 million and RMB290.8 million (US$42.4 million), respectively. As of 31 December 2018, the effective annual interest rate on our bank borrowing, other borrowing and senior notes and bonds are 6.52%, 8.16% and 10.79%, respectively. A substantial portion of our borrowings are linked to benchmark lending rates published by the PBOC.

The PBOC raised the benchmark one-year bank lending rate to 6.06% in February 2011, to 6.31% in April 2011 and to 6.56% in July 2011 although the PBOC lowered the bench mark one-year interest rate by 25 basis points in each of June and July 2012. The PBOC lowered the one year benchmark lending rate one time in 2014 and five times in 2015. The current one-year benchmark lending rate is

4.35% with effect from October 2015. In addition, the PBOC has raised the reserve requirement ratio for commercial banks six times in 2010 and six times in 2011 although the PBOC lowered the reserve requirement ratio by 50 basis points in each of December 2011, February 2012 and May 2012. The PBOC further reduced the reserve requirement ratio for commercial banks five times in 2015 and one time in 2016. The reserve requirement ratio currently ranges from 13% to 16.5% with effect from 1 January 2016. Our access to capital and cost of financing are affected by restrictions imposed from time to time by the PRC government on bank lending for property development. A significant portion of our finance costs are capitalised rather than being expensed at the time they are incurred to the extent such costs are directly attributable to the acquisition and construction of a project or a project phase.

An increase in our finance costs would negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will negatively affect our results of operations.

Our sales and pre-sales will be materially and adversely affected if mortgage financing for our purchasers becomes more costly or otherwise less attractive or available

Mortgages are one of the primary means of financing property purchases in the PRC. We expect most prospective purchasers of our residential properties to finance a significant portion of the purchase price with mortgages. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC Government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Under PRC law, monthly mortgage payments are limited to 50% of an individual borrower's monthly income.

To curtail the overheating of the PRC property market, the General Office of the State Council on 7 January 2010 issued the "Circular on Facilitating the Stable and Healthy Development of Property Market" (關於促進房地產市場平穩健康發展的通知), which provides that the down payment for the second property bought with mortgage loans shall not be less than 40% of the total purchase price. On 17 April 2010, the State Council issued the "Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities" (國務院關於堅決遏制部分城市房價過快上漲的通知) which stipulated that down payment for the first property that is larger than 90 sq.m. shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or more properties bought with mortgage loans. In certain areas where commodity residential property is in short supply and prices rise too quickly, the banks may suspend granting mortgage loans for the third or more properties bought with mortgage loans or to non-residents who cannot provide any proof of tax or social insurance payment more than one year.

On 29 September 2010, the PBOC and The China Banking Regulatory Commission ("CBRC") jointly issued the "Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies" (關於完善差別化住房信貸政策有關問題的通知), under which, the minimum down payment for all first home purchases is increased to 30% of the purchase price. On 26 January 2011, the State Council issued the Notice Concerning Further Strengthening the Macro economic Control of Real Property Market (關於進一步做好房地產市場調控工作有關問題的通知), according to which, the minimum down payment is raised to 60% of the purchase price for second-house purchases with the minimum loan interest rate at 110% of the benchmark rate. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected.

In line with industry practice, we provide guarantees to banks for mortgage loans they offer to purchasers of our properties. If there are changes in laws, regulations, policies or practices that would prohibit property developers from providing such guarantees and these banks do not accept alternative guarantees from third parties, or such alternatives are not available, property purchasers may not be able to obtain mortgages from banks, which may inhibit pre-sales of our projects, which could materially and adversely affect our business prospects, results of operations and financial condition.

We may not be able to meet project development schedules and complete our projects on time, or at all

Real estate development requires substantial capital expenditures and management resources prior to, and during, the construction period. Construction of a particular project may take several years before it can generate positive cash flows through pre-sales, leases and sales, and the timing and costs involved in completing a particular project could be materially and adversely affected by many factors, including, among others:

- misjudgment on the selection and acquisition criteria for potential sites, especially with respect to new business segments and cities;
- delays in obtaining necessary licences, permits or approvals from government agencies or authorities including, but not limited to, delays in assisting our customers to obtain the necessary individual property ownership certificates;
- delays in construction due to various factors including, but not limited to, the relocation of existing site occupants and demolishment of existing structures;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- changes in market conditions;
- construction accidents; and
- natural catastrophes and adverse weather conditions.

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant sale and purchase agreement. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval processes. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration within 30 days after receipt of the completion and acceptance certificate for the relevant properties and apply for the general property ownership certificate in respect of these properties. We are then required to submit within regulated periods or a time set out in the relevant sale and purchase agreement after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers and proof of payment of deed tax, together with the general property ownership certificate, for the bureau's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers.

Delays in, or the failure to complete, the construction of a particular project according to its planned specifications, schedule or budget may damage our reputation as a property developer, and lead to a loss of revenues, potential penalties arising from late delivery of our properties, as well as result in an increase in construction costs. If we do not complete our projects on time, or at all, our business, financial condition, results of operations and prospects may be materially and adversely affected. In the past, we have experienced a three-month delay in the delivery of properties in our Xiamen Mingfa Shopping Mall and have paid damages of approximately RMB16.5 million in connection with such delay.

Our failure to meet all requirements for issuance of property ownership certificates may lead to payment of compensation to our customers

According to PRC law, property developers must meet various requirements which include, among others, passing various governmental clearances, formalities and procedures, within 90 days after delivery of properties, or such time period as provided in the sales contracts, in order to allow the customers to apply for property ownership certificates. We cannot assure you that there will not be delays in fulfilling those requirements, that we will be able to timely deliver all property ownership certificates in the future or that we will not be subject to any liabilities as a result of any late deliveries of property ownership certificates. There may also be factors beyond our control that cause delay to the delivery of property ownership certificates, such as time-consuming examination and approval processes by various PRC Governmental agencies. Under our sales contracts, we are required to compensate our customers for any delays in the delivery of our properties. In the case of serious delays in one or more of our property development projects, our business and reputation could be materially and adversely impacted.

We face risks relating to fluctuations in our results of operations from period to period

Our results of operations fluctuated significantly and will continue to fluctuate from period to period due to a number of factors, including the timetables of our property development projects, the timing of the sale of properties that we have developed our revenue recognition policies and any volatility in expenses such as raw material costs. The overall schedules of our property development and the number of properties that we can develop or complete during any particular period are limited as a result of the substantial capital required for the acquisition of land, demolition and resettlement, and construction. The sale of properties we develop is subject to general market or economic conditions in the areas where we conduct our business and the level of acceptance of our properties by prospective customers.

According to our accounting policy, we recognize revenue upon the completion and delivery of the properties to purchasers, which typically take up to several years after the commencement of pre-sales. Therefore, in periods in which we pre-sell a large aggregate GFA, we may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period. In addition, our business depends on obtaining adequate supplies of raw materials and is subject to fluctuation in the market prices of raw materials. The prices that we pay for raw materials may increase due to increased industry demand, inflation, higher fuel and transportation costs and other factors.

A deterioration of our cash flow may affect our ability to service our borrowings and our business, financial condition and results of operations

Our ability to repay the principal and interest on our borrowings depends substantially on our cash flow position and results of operations of our operating subsidiaries, which are dependent not only on market conditions and customer demands, but also on a number of political, economic, legal and other factors, some of which are beyond our control. We cannot assure you that we will have sufficient cash flow to service our borrowings or repay our indebtedness. If we are unable to service our borrowings due to a deterioration of our cash flow position, our business, financial condition, results of operation and prospects, as well as our ability to obtain future borrowings on favourable terms or at all may be materially and adversely affected.

Our results of operations include estimated fair value gains on investment properties, which are unrealised

For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, we recorded fair value gains on our investment properties before tax amounting to RMB295.2 million, RMB312.0 million, RMB749.3 million, RMB715.6 million and RMB220.0 million (US$32.0 million), respectively, in our consolidated income statements, representing 35.8%, 16.4%, 29.1%, 43.3% and 23.8% of our profit before tax for those periods, respectively. Prospective investors should be aware that these upward fair value adjustments reflect primarily unrealised capital gains in the value of our investment properties at the relevant reporting dates, and they are not profit generated from day-to-day rental income from our investment properties and are largely dependent on the conditions prevailing in the property markets. These fair value gains do not and will not generate cash inflow unless such investment properties are actually sold at or above such estimated fair values. Moreover, prospective investors should be aware that property values are subject to market fluctuations and we cannot assure you that we will be able to continue to record favourable fair value adjustments on investment properties in similar amounts, or at all, in the future or that the fair value of our investment properties will not decrease in the future. Any such decrease in the fair value of our investment properties will likely reduce the price we could realise on a sale of such properties and reduce our profits and could have a material adverse effect on our results of operations.

The illiquidity of property investments and the lack of alternative uses for investment properties could limit our ability to respond to materially adverse changes in the performance of our properties

As at 30 June 2019, we had investment properties with an aggregate attributable GFA of approximately 1,059,308 sq.m. and expect to increase our investment property portfolio as part of our future strategy. Investment properties are illiquid and, as a result, our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by prospective purchasers would be acceptable to us. We also cannot predict the length of time needed to find customers and to complete sales. In addition, we may be required to expend funds to maintain properties, to correct defects, or to make improvements before a property can be sold, and we cannot assure you that we would have such funds available.

In addition, investment properties may not be readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand, increased supply or other factors. The conversion of investment properties to alternative uses would generally require substantial capital expenditures and we cannot assure you that we will have such funds available. These factors and any other factors that would impede our ability to respond to material adverse changes in the performance of our investment properties may have a material adverse impact on our business, financial condition, results of operations and prospects.

We may be materially and adversely affected if the resettlement costs or similar costs associated with certain property developments increase

The land parcels we acquire in the future for development may have existing buildings or other structures or be occupied by third parties. On 21 January 2011, the State Council promulgated the Regulation on Expropriation and Compensation Related to Buildings on State-owned Land (《國有土地上房屋徵收與補償條例》) (國務院令第590號) which provides that, among other things: (i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations; (ii) compensation should be paid before the resettlement; (iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties should be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal, and (iv) neither violence nor coercion may be used to force homeowners to leave sites, nor can certain measures, such as illegally cutting water and power supplies, be used in relocation operations.

To the extent demolition and resettlement are required in any of our future property developments, we will be required to compensate existing residents an amount calculated in accordance with local resettlement compensation standards. These local standards may change from time to time without advance notice. If such compensation standards are changed to increase the compensation we are required to pay, our land acquisition costs may increase, which could adversely affect our financial condition and results of operations. In respect of projects in which the resettlement costs are borne by us, if we or the local government fail to reach an agreement regarding compensation with the owners or residents of the buildings subject to demolition any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, which may delay a project's timetable. Such delays may lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects, which may in turn materially and adversely affect our business, financial condition and results of operations.

We rely on independent third parties to provide various facilities and services and cannot assure you that the services rendered by such third parties will always match our quality requirements or will be available

We depend on a number of independent third parties for a variety of services, including design, construction, piling and foundation, building and property fitting-out work, equipment installation, internal decoration, landscaping, electro-mechanical engineering, pipeline engineering and installation of air-conditioning units, lifts and elevators. We rely on independent construction contractors, certified engineering supervisory companies and other service providers and suppliers for construction and related services, including design and interior decoration, as well as various types of construction materials. We monitor the progress and quality of such contractors' work through our project management department in each project company. We cannot assure you that the services or materials rendered by any of these third parties will always be satisfactory or match our requirements for quality. If the completion of our property project is delayed due to any independent contractor's financial or other difficulties or if the quality of the service provided is not satisfactory, we may be required to incur additional costs to compensate our customers or to cover additional expenses. Any of these factors could have a material adverse impact on our business, financial condition, results of operations and prospects.

We may be adversely affected by the increase in the price of construction materials

Generally under our contracts with third party contractors substantially all costs of construction materials procured by such contractors and their labour costs were accounted for as part of the contractor fees and will be paid by us. In addition, the cost of construction materials increases beyond 5%, the relevant third parties have the right under the contracts to request an increase of the contractor fees. In the event there is a material increase in the cost of construction materials or cost of labour, our business, results of operations and financial position may be materially and adversely affected.

Our results of operations may be materially and adversely affected if we fail to obtain, or if there are material delays in obtaining government approvals for our property developments

The property industry in the PRC is heavily regulated by the PRC Government. Property developers in the PRC must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various permits, licences, certificates and other approvals from relevant administrative authorities at various stages of the property development, including land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval depends on the satisfaction of certain conditions. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to these approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the property industry in general or any particular processes with respect to regulatory approvals. There may also be delays on the part of relevant regulatory bodies in reviewing our applications or granting approvals. If we fail to obtain or encounter material delays in obtaining government approvals, the schedule of the completion and sale of our developments could be substantially disrupted and any such disruption would materially and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to obtain or renew formal qualification certificates

All real estate developers/companies in the PRC must obtain a qualification certificate in order to carry out the business of property development in the PRC. In addition, a real estate developer in the PRC must hold a valid qualification certificate when it applies for a pre-sale permit.

The Provisions on Administration of Qualification Certificates of Real Estate Developers (《房地產開發企業資質管理規定》), (the "Provisions on Administration of Qualifications"), provide that a newly established developer must first apply for a temporary qualification certificate with a one-year term (暫定資質證書), which can be renewed for a maximum of a two-year period. Thereafter, the developer must apply for a formal qualification certificate (資質證書) under one of the four grades set out in the Provisions on Administration of Qualifications. A qualification certificate will not be granted or renewed until and unless the developer meets the various requirements set out in the Provisions on Administration of Qualifications.

We develop all of our properties through project companies. These project companies must also hold valid qualification certificates to be able to conduct their businesses. As of 30 June 2019, one of our PRC property development subsidiaries did not hold qualification certificates because it is not engaged in any property development activities and thirteen of our PRC property development subsidiaries are in the process of renewing or obtaining their qualification certificates. We cannot assure you that we and our project companies will continue to be able to obtain, extend or renew the qualification certificates. If we or our project companies do not possess valid qualification certificates, the government will refuse to issue pre-sale and other permits necessary for the conduct of our property development business. In addition, the government may impose a penalty on us and our project companies for failure to comply with the relevant licensing requirements. Any of the above could have a material adverse effect on our business, results of operations and financial position.

Pursuant to the Measures for the Administration of Qualifications of Property Service Enterprises (物業服務企業資質管理辦法), entities engaged in property management are required to obtain qualification certificates before they commence their business operations. If any property management companies are unable to meet the relevant requirements and therefore unable to obtain or maintain the qualification certificates, our business and financial condition could be materially and adversely affected. As of 30 June 2019, three of our PRC property management subsidiaries are in the process of renewing or obtaining their qualification certificates.

We may be involved in legal and other disputes from time to time arising out of our operations and may face significant liabilities as a result

From time to time, we, together with our subsidiaries and associates, have been involved in legal proceedings or other disputes in the ordinary course of our business, which are primarily disputes with our customers and local partners. These disputes may lead to protests and legal, administrative or other proceedings and may result in damage to our reputation, additional operational costs and a diversion of resources and management's attention from our core business activities. In the past, third party claims against us primarily consisted of disputes relating to delayed deliveries of properties to our customers.

In addition, we work together with our legal department to assess if provision for potential claims is needed. The determination of provisions involves significant management judgment, and we cannot assure you if the provisions we have made are sufficient. If the actual amount of any claims, based on the outcome of proceedings, exceeds the provisions we have made for the claim, our financial condition, business and results of operation will be adversely impacted.

For details on other legal proceedings, please refer to the section under heading "Business — Material Litigation and Arbitration".

We cannot assure you that we will not be involved in any other legal proceedings or that the outcome of these proceedings will not materially and adversely affect our business, financial condition and results of operations.

We are exposed to pre-sale related contractual and legal risks

We make certain undertakings in our pre-sale contracts. These pre-sale contracts and PRC laws and regulations provide for remedies with respect to any breach of such undertakings. For example, if we pre-sell a property project and we fail to complete that property project, we will be liable to the purchasers for their losses. Should we fail to complete a pre-sold property project on time, the purchasers may seek compensation for late delivery pursuant to either their contracts with us or PRC laws and regulations. If completion of a pre-sold property project is delayed beyond a specified period, the relevant purchasers may terminate their pre-sale contracts with us and claim compensation. We cannot assure you of the timely completion and delivery of our projects.

The non-compliant GFA of some of our completed property developments may be subject to governmental approval and additional payments

The local government authorities inspect our property developments after completion and issue completion certificates if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the amount of GFA authorised in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that are not in conformity with the plan authorised by the construction permit, we may be required to make additional payments or take corrective actions with respect to such non-compliant GFA before the property development may obtain a completion certificate. If we fail to obtain the completion certificate due to such non-compliance, we will not be allowed to deliver the relevant properties or recognise any revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. Any of the above could have a material adverse effect on our business, financial condition and results of operations.

We provide guarantees for mortgages taken out by our customers and are liable to mortgagees if our customers default. If a significant number of these guarantees are called upon, our business, financial condition and results of operations could be materially and adversely affected

We pre-sell our properties before construction is completed. In accordance with industry practice, we are required to provide guarantees to banks in respect of mortgages offered to our customers until completion of construction and the relevant property ownership certificates and certificates of other interests in the property are submitted to the relevant banks. If a customer defaults on a mortgage and the bank calls upon the guarantee, we are required to repay the full portion of the mortgage owed by the customer to the mortgagee bank. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage. Consistent with industry practice, we rely on the results of customer credit checks conducted by the mortgagee banks relating to these guarantees and do not conduct any independent credit checks.

As at 31 December 2016, 2017 and 2018 our outstanding guarantees on mortgage loans of our customers amounted to RMB5,093.1 million, RMB5,530.1 million and RMB5,448.3 million, respectively. As at 31 December 2018, there had been no material defaults on mortgages guaranteed by us. However, we cannot assure you that defaults will not occur in the future or that we will not suffer any loss as a result of such defaults. In addition, if a significant number of customers default on their mortgages and our guarantees are called upon, our business, financial conditions and results of operations could be materially and adversely affected to the extent that there is a material depreciation in the value of the relevant properties from the price paid by the customer or that we cannot sell such properties due to unfavourable market conditions or other reasons.

Our profitability and results of operations are impacted by the success of our business model

We focus primarily on the development of integrated mixed-use commercial complexes and large-scale mixed-use residential properties in second or third tier cities in China with growth potential in accordance with urban planning by the local governments. Due to the nature of our business model, we are often one of the first property developers to enter into such markets. In particular, the success of our business model is dependent on, and could be directly affected by, the accuracy of our prediction of the local demand and economic growth of the cities where we have, or will have, projects. Our success is also dependent on our managerial and operational resources as well as our knowledge of the spending habits of local consumers and their acceptance of large-scale, integrated retail and residential complexes. We cannot assure you that our business model will be successful in each of the cities that we enter. In the event that we fail to establish or expand our business model as anticipated, our business, reputation, results of operations and financial position may be materially adversely affected.

We may not be able to control the individual or collective decisions of certain tenants and property owners of our commercial complexes, logistics centres, R&D centres and other properties

To realise better cash flow and to free up capital to invest in additional property development projects, we have sold or leased in the past and may continue to sell or lease strata-titled units of our commercial complexes, logistics centres, R&D centres and other properties. We cannot assure you that we will be able to control any individual or collective decisions of any tenants and property owners in the way they operate or lease such units or outlets or that any conflict in the usage of such units or outlets will not arise. If we are unable to control the manner of operation of such units or outlets, we may fail to carry on the original purpose of developing such units or outlets, and such failure may have a material adverse impact on the reputation, business, operations and value of the related commercial complexes, logistics centres, R&D centres and other properties.

We may not be able to continue to attract and maintain key tenants for our commercial complexes

Our retail properties compete for tenants with a number of other retail properties in the surrounding areas on the basis of a wide range of factors, including location, appearance, age, construction quality, maintenance and design. We also compete for tenants on the basis of rent levels and other lease terms. We seek to maintain the quality and attractiveness of our retail complexes by securing long-term partnerships with domestic and foreign retailers across a wide spectrum of industries. Many of these retailers, such as Suning Appliance, Jin Yi Cinema, B&Q, Carrefour and New World Department Store have become our anchor tenants.

However, we cannot assure you that existing and prospective tenants will not move into the properties of our competitors. An increase in the number of competing properties, particularly in close proximity to our properties, could increase competition for tenants, reduce the relative attractiveness of our properties and force us to reduce rent or incur additional costs in order to make our properties more attractive. If we are not able to compete effectively for commercial tenants with other property developers or operators, our occupancy rates may decline. If we fail to continue to attract well-known retailers as our anchor tenants or maintain our existing anchor tenants, the attractiveness and competitiveness of our integrated retail and residential complexes may be adversely affected. This in turn could have a material adverse effect on our business, reputation, results of operations and financial position.

Our results of operations may be affected by the performance and reputation of, and any adverse developments relating to, our hotel management partner

Our Nanjing Pearl Spring Resort is managed by an independent third party hotel management group, Nanjing Xuanwu Hotel Co., Ltd. Therefore, our results of operations may be affected by the performance of our hotel management partner, as well as any adverse publicity or other adverse developments that may affect our hotel management partner or its brands generally. Any disagreement between our hotel management partner and ourselves in respect to the management of Nanjing Pearl Spring Resort may adversely affect the performance of the operations of our hotel. In addition, in the event that we wish to replace our hotel management partner, we may be unable to do so under the terms of our management agreement or we may need to pay substantial termination fees and experience operational disruptions at the hotel. The effectiveness and performance of our hotel management partner in managing our hotel will, therefore, significantly affect the revenue, expenses and value of our hotel. In addition, our hotel management partner has a non-exclusive arrangement with us, and it owns, operates or franchises properties other than our property, including properties that may compete with our property. Any of these factors may materially and adversely affect the operations and profitability of our hotel, which could materially harm our business, financial condition and results of operations.

A default by an anchor tenant could result in a significant loss of rental income, a reduction in asset value and increased bad debts

We derive a significant portion of our revenue directly or indirectly from rent received from our anchor tenants. Anchor tenants generally pay a significant portion of the total rents in respect of a retail complex and, in some cases, contribute to the success of securing other tenants by attracting significant numbers of customers to the property. For the years ended 31 December 2016, 2017 and 2018, our top three tenants accounted for approximately 22.0%, 20.4%, and 19.4% of our rental income, respectively. A downturn in business, bankruptcy or insolvency could force an anchor tenant to default on its rental obligations and/or vacate the premises. Such a default, in particular by one of our top three tenants, could result in a loss of rental income and an increase in bad debts, and decrease the value of the property. Moreover, such a default may prevent us from increasing rents or result in lease terminations by, or reductions in rents for, other tenants under the conditions of their leases. Any of the above effects of a default by an anchor tenant could have a material adverse effect on our business, results of operations and financial position.

Any failure to protect our brand, trademarks and other intellectual property rights could have a material and adverse impact on our business, financial condition and results of operations

We believe our brand, trademarks and other intellectual property are integral to our success. Mingfa is a well-recognised brand in the PRC and we have been the recipient of several awards. We believe the success of our business depends in part on our continued ability to use and promote our brand and trademarks. We rely on the intellectual property laws in the PRC to protect our intellectual property. Any unauthorised use of such intellectual property could materially and adversely affect our business and reputation.

Monitoring and preventing any unauthorised use of our intellectual property is difficult and costly. The measures we have taken to protect our brand, trademarks and other intellectual property rights may not be adequate to prevent their unauthorised use by third parties. Furthermore, enforcement of PRC intellectual property-related laws has historically been difficult, primarily because of ambiguities in the PRC laws. In addition, we cannot assure you that any brand, trademarks or other intellectual property owned by us will be enforceable or will not be invalidated, circumvented or otherwise challenged in the PRC. If we are unable to adequately protect our brand, trademarks and other intellectual property, we may lose these rights which could have a material adverse effect on our business and reputation.

Potential liability for environmental problems could result in substantial costs

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations that apply to any given project development site vary greatly according to the site's location, environmental condition, its present and former uses, as well as adjoining properties. Compliance with environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can severely restrict project development activities in environmentally sensitive regions or areas.

As required by PRC law, independent environmental consultants have conducted environmental impact assessments at all of our construction projects and no environmental liability that we believe would have a material adverse impact on our business, financial condition and results of operations has been revealed. However, it is possible that these investigations did not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware.

We have limited insurance to cover all potential losses and claims

In general, we do not take out insurance coverage against potential losses or damages with respect to our properties developed for sale before their delivery to customers. Neither do we maintain insurance coverage against liability from tortious acts or other personal injuries on our project sites. Under relevant PRC laws, construction companies are responsible for bearing the primary civil liability for personal injuries arising out of their construction work. In addition, there are certain types of losses for which insurance is not available on commercially practicable terms in the PRC, such as losses suffered due to earthquakes, typhoons, flooding, war and civil disorder. Therefore, while our Directors believe that our practice is in line with the general practice in the PRC property development industry, there may be instances when we will have to internalise losses, damage and liabilities because of our lack of insurance coverage, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations

Under PRC tax laws and regulations, our PRC subsidiaries that are in the property development business are subject to LAT which is collected by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption.

The State Administration of Tax Bureau clarified the settlement of LAT to some extent in its Notice on the Administration of the Settlement of LAT of Property Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知) effective from 1 February 2007. The notice clarifies that provincial and local tax authorities may formulate their own implementation rules and determine how LAT will be settled in their jurisdictions. The State Administration of Taxation issued the Circular on Relevant Issues on LAT Settlement (關於土地增值稅清算有關問題的通知) on 19 May 2010, and the Circular on Strengthening the Administration Work in relation to the Collection of LAT (關於加強土地增值稅徵管工作的通知) on 25 May 2010 respectively. The circulars detailed certain items that could be deducted for calculation of the amount of tax due, and idle land fees cannot be deducted from tax. According to the circulars, local governments should adjust the current prepaid LAT rates, and except for indemnificatory housing, the prepaid LAT rate shall not be lower than 2% in eastern provinces, 1.5% in central and northeastern provinces, and 1% in western provinces respectively. If the LAT is calculated based on the authorised taxation method (核定徵收), the minimum taxation rate shall be 5% in principle.

We have made provision of LAT based on our management's best estimates according to the understanding of the requirements as discussed above. However, the actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects and the PRC tax authorities may not agree with the basis on which we calculate our LAT obligations. We have not finalised our LAT calculation and payments with the tax authorities for our property development projects. We cannot assure you that the current provision of LAT is accurate and the final outcome could be different from the amounts that were initially recorded. In the event that our Group is required to settle any or all unpaid LAT, our cash flow and results of operations during the related period may be materially and adversely affected.

We may not be able to refinance our indebtedness as it matures or redeem the 2019 9% Bonds, 2020 11% Bonds, 2019 11% Bonds and the 2020 15% Bonds

We have incurred significant indebtedness to finance our property development activities. See "Description of Other Material Indebtedness — 2019 9% Bonds", "Description of Other Material Indebtedness — 2020 11% Bonds", "Description of Other Material Indebtedness — 2019 11% Bonds" and "Description of Other Material Indebtedness — 2020 15% Bonds" for more information. We cannot assure you that we will be able to refinance our indebtedness as it matures or redeem the 2019 9% Bonds, 2020 11% Bonds, 2019 11% Bonds and 2020 15% Bonds, in which case we will need to repay our debt with cash generated from operating activities or some other sources. We cannot assure you that our business will generate sufficient cash flow from operations to repay our borrowings as they mature. Repaying borrowings with cash generated by operating activities will divert our financial resources away from land acquisitions and development activities. Our Company and certain of our subsidiaries have entered into loan agreements with various banks in the PRC or Hong Kong pursuant to which they have pledged shares, land use rights, buildings and other assets as security. We may lose part or all of this collateral if we cannot repay or refinance such borrowings as they mature, which could materially and adversely affect our business, prospects, financial condition and results of operations. See "Risk Factors — We maintain a high level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow or access to financing to fund our operators or to service our financing obligations".

We have experienced periods in which our current liabilities exceeded our current assets in the past, and we cannot assure you that we will not experience periods of net current liabilities in the future

Although we have maintained a net current asset position as at 31 December 2016, 2017 and 2018, we cannot assure you that we will not experience periods of net current liabilities in the future. If we have net current liabilities in the future, our working capital for purposes of our operations may be subject to constraints and it could have a material adverse effect on our business, financial condition, results of operations and prospects.

We depend on our key management and other personnel in the conduct of our business

The success of our business depends significantly upon the expertise and experience of our Executive Directors and other key management personnel. The loss of the services of any of our key management personnel may adversely affect our strategic direction, operations, profitability and financial results.

In addition, our continued success will depend on our ability to attract and retain qualified merchandising, customer services, supervisory and management personnel to manage our existing operations and future growth. Qualified and talented individuals are scarce and in high demand in the PRC real estate industry, and competition for these individuals in China is intense. We may not be able to successfully attract, assimilate or retain the personnel that we need. In addition, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future. Our failure to attract and retain qualified personnel may have a negative impact on our business, financial condition and results of operations as well as our ability to pay interest, premium, principal and other amounts due under the Bonds.

We may be deemed a PRC resident enterprise under the new PRC EIT Law and be subject to PRC taxation on our worldwide income

We are a holding company incorporated in the Cayman Islands with substantially all of our operations conducted through our operating subsidiaries in China. Under the EIT law that took effect on 1 January 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% EIT rate as to their global income. Under the implementation regulations issued by the State Council relating to the new EIT law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being PRC enterprises. It, however, remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents as is in our case.

Although we are currently not treated as a PRC resident enterprise by the relevant tax authorities, substantially all of our management is currently based in China and will remain in China in the future. As a result, we may be treated as a PRC resident enterprise for PRC EIT purposes and subject to the uniform 25% EIT as to our global income.

Furthermore, we would be obligated to withhold PRC income tax of up to 7% on payments of interest and certain other amounts on the Bonds to investors that are non-resident enterprises located in Hong Kong and 10% on payments of interest and other amounts on the Bonds to investors that are non-resident enterprises located outside Hong Kong, because the interest and other amounts would be regarded as being derived from sources within the PRC. Similarly, any gain realised by such non-resident enterprise investors from the transfer of the Bonds would be regarded as being derived from sources within the PRC and would accordingly be subject to a 10% PRC withholding tax. If we are treated as such a PRC resident enterprise under PRC tax laws, we could face adverse tax consequences.

We rely principally on dividends paid by our subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to make timely payment of interest and principal under the Bonds and conduct our business

We are a holding company and conduct all of our business through our subsidiaries incorporated in the PRC. We rely principally on dividends paid by our subsidiaries for our liquidity requirements, including the funds necessary to service any debt we incur and pay our operating expenses and any dividend we declare. Pursuant to certain project loan agreements, substantially all of our PRC subsidiaries are restricted from distributing dividends or making other distributions to us unless such loans are paid off or consent is obtained from the relevant lenders.

Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC entities on a combined basis only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC entities are required by relevant laws and their respective articles of association to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year for their reserve fund. As a result, our PRC entities combined may be restricted in their ability to transfer any portion of their net income to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially adversely limit our ability to grow our businesses, pay dividends, service our debts or otherwise fund and conduct our business.

Under the EIT law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends paid by PRC enterprises from their earnings derived since 1 January 2008 to "non-resident enterprises" (enterprises that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business), subject to any lower withholding tax rate applicable under any income tax treaty between China and the government of the jurisdiction where such "non-resident enterprises" are incorporated.

According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) agreed between the PRC and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in the PRC to its shareholders in Hong Kong will be subject to a withholding tax at a rate of 5% if such Hong Kong shareholder directly holds a 25% or more interest in the PRC enterprise. If our Hong Kong subsidiaries are considered "non-resident enterprises" under the PRC tax law, any dividend that such Hong Kong subsidiaries receive from our PRC subsidiaries may be subject to PRC taxation at the 5% rate. However, according to a Circular of the PRC State Administration of Taxation dated 27 October 2009, tax treaty benefits will be denied to "conduit or shell companies without business substance. Therefore, it is unclear whether dividend payments made by our PRC subsidiaries to our Hong Kong subsidiaries, which hold the equity interests in our PRC subsidiaries, will continue to enjoy the 5% PRC tax rate.

RISKS RELATING TO OUR INDUSTRY

The PRC property market has been cyclical and our property development activities are susceptible to significant fluctuations

Historically, the PRC property market has been cyclical. The rapid expansion of the property market in certain major provinces and cities in China in the early 1990s culminated in an over-supply in the mid-1990s and a corresponding fall in property values and rentals in the second half of the decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC provinces and cities therein have experienced rapid and significant growth. In recent years, however, risk of property over-supply is increasing in parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, together with the effect of PRC Governmental policies to curtail the overheating of the property market, property prices may fall significantly and our revenue and results of operations will be adversely affected. We cannot assure you that the problems of over-supply and falling property prices that occurred in the mid-1990s will not reoccur in the PRC property market and the recurrence of such problems could adversely affect our business and financial condition. The PRC property market is also susceptible to the volatility of the global economic conditions as explained in "Risk Factors — Risks Relating to our Business — The global economic slowdown and financial crisis have negatively impacted, and may continue to adversely affect our business, liquidity, financial condition, results of operations and prospects".

The cyclical nature of the property market in the PRC affects the optimal timing for the acquisition of sites, pace of development and well as the sale of properties. This cyclicality, combined with the lead time required for completion of projects and the sale of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from year to year.

The restrictive measures adopted from time to time by the PRC Government to curtail the overheating of, and foreign investment in, the PRC real estate market could slow the industry's rate of growth or cause the real estate market to decline

Beginning in the second half of 2008, in order to mitigate the impact of the global economic slowdown, the PRC Government adopted measures to encourage domestic consumption in the residential real estate market and support property development.

Starting from the second half of 2009, residential real estate prices in certain cities in China rose rapidly. In order to reduce the risk of the overheating of the real estate market and possible formation of a speculative bubble, the PRC Government introduced a series of regulatory measures in an effort to stabilise the real estate market and facilitate its sustainable development. Prominent measures and policies, among others, include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small-to medium-size units and low-cost rental properties;

- adopting the "70/90 rule" which requires at least 70% of the total GFA of residential projects approved or constructed on or after 1 June 2006 consist of units with a GFA of less than 90 sq.m. per unit and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

- stipulating that a purchaser's down payment for such purchaser's first property purchase may not be less than 30% of the purchase price regardless of the GFA of the property, and in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, such minimum down payment is reduced to 25% in principle which can be further adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. Since September 2014, the minimum mortgage loan interest rate for first-time home buyers was set at 70% of the benchmark lending interest rate. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve living conditions, the bank may apply the aforesaid first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off all the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency, credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. Furthermore, since September 2016, certain local governments, including without limitation those of Xiamen, Fuzhou, Hefei, Tianjin, Nanjing, and Hangzhou, issued notices to resume implementing housing purchase restriction measures for the purpose of the sustainable development of the local real estate market for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% the relevant benchmark lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on their risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;

- from 31 March 2015, business tax will be levied on the entire sales proceeds from the re-sale of residential properties if the holding period is shorter than two years. For a transfer of a non-ordinary residential property made more than two years after its last transfer, business tax will be levied calculated based on the difference between the transfer price and the original price, and for the transfer of an ordinary residential property made more than two years after its last transfer, business tax will be exempted. From 22 February 2016, the rate of deed tax payable for real estate transactions has been adjusted downwards such that for an individual purchasing the sole residential property for his/her household, the rate of deed tax has been adjusted downward to 1% for a property of 90 sq.m. or less and to 1.5% for a property of more than 90 sq.m. In cities other than Beijing, Shanghai, Guangzhou and Shenzhen, for an individual purchasing a second residential property for his/her household for the improvement of living conditions, the rate of deed tax has been reduced to 1% for a property of 90 sq.m. or less and to 2% for a property of more than 90 sq.m., and business tax on the transfer of residential property will be exempted if the holding period is over two years regardless of whether the nature of such property is an ordinary residential property or not;

- revoking certain preferential individual income tax treatment to purchasers who sell their residential property and purchase another residential property within one year of the sale;

- imposing a ban on onward transfer of uncompleted properties;

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;

- imposing an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and cancellation of the land use right for land being idle for two years or more;

- requiring banks not to provide loans for the development of new commercial property projects to any developers who hold idle land or speculate in land;

- imposing sanctions or even revoking business qualifications of developers who are hoarding properties for speculation or in order to drive up properties prices;

- revoking the approvals for projects not in compliance with the planning permits;

- banning land grants for villa construction and restricting the provision of land for high-end residential property construction;

- forbidding PRC commercial banks from granting loans to a property developer if, (i) for supportive residential development projects or common residential development projects, the property developer's available internal funds are less than 20% of the total estimated capital required, or (ii) for other development projects, the property developer's available internal funds are less than 30% of the total estimated capital required;

- requiring any first-time home owner using housing reserves (住房公積金) to pay the minimum amount of down-payment at 20% of the purchase price of the underlying property, and requiring a minimum down payment of at least 20% of the purchase price for the acquisition of another new residential property using housing reserves to improve living conditions where the purchaser owns a residential property and has paid off its existing mortgage loan;

- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;

- imposing more restrictions on the types of property developments that foreign investments may engage in; and

- restricting foreign investment in the property sector by, among other things, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons.

The PRC Government's restrictive measures to control the industry's rate of growth could limit our access to capital resources, reduce market demand and increase our operating costs. We cannot be certain whether the PRC Government would adopt additional and more stringent measures in the future, which could further slow down the development of the construction and property development industries and materially and adversely affect our business and results of operations, in particular any measures to curb high-end residential real estate projects.

Our business depends on the availability of an adequate supply of sites and our ability to successfully tender for land and obtain land use rights and other necessary PRC government approvals for our future developments and the payment terms for land use rights with respect to land we acquire in the future will be subject to more restrictive regulation recently promulgated by the PRC government

We derive our revenue principally from the sale of properties that we have developed. To secure future revenue, we need to identify and acquire a suitable portfolio of properties for future development at commercially acceptable prices. However, our ability to identify and acquire these sites is subject to a number of factors that are beyond our control.

The PRC government controls substantially all of the land supply in the PRC. As a result, the policies of the PRC government regarding land supply will affect our ability to acquire land use rights for the sites we have identified for future developments and our land acquisition costs.

The PRC government regulates the means by which property developers, including us, obtain land for development. In May 2002, the PRC government introduced regulations requiring that land use rights for residential and commercial property developments be granted by public tender, auction or listing-for-sale. In addition, the PRC government may also limit the supply of land available for development in the cities in which we have or intend to have an interest. We cannot assure you that we will continue to be successful in tendering or bidding for sites suitable for our future developments at acceptable prices, or at all.

In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land. The PRC government also controls the land supply through zoning, land usage regulations and other means. All of these measures intensify the competition for land in China among property developers. In 2002, the PRC government introduced a nationwide system of mandatory public tender, auction or listing-for-sale for the grant of land use rights for commercial use, tourism, entertainment and commodity property development. On 28 September 2007, the Ministry of Land and Resources issued revised Rules on the Grant of State-owned Land Use Rights through Public Tender, Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》), which further stipulate legal and procedural requirements on public tender, auction or listing-for-sale, the only means by which state-owned land use rights can be granted by the PRC government for industrial purposes, commercial purposes, tourism, entertainment and commodity property development, and require that the land premium be paid in full to the local land administration bureau pursuant to the underlying land grant contract before the land use rights certificate can be issued to the land user. The PRC government's policy to grant state-owned land use rights at competitive market prices has substantially increased and is likely to continue to increase the acquisition cost of land reserves generally in the PRC.

On 23 May 2012, the Ministry of Land and Resources issued the Catalogue of Restricted Use of Land (2012 Version) (《限制用地項目目錄(2012年本)》), which specifies that (i) the area of a parcel of land granted for commodity housing development may not exceed seven hectares in small cities (towns), 14 hectares in medium size cities or 20 hectares in large cities; (ii) the plot ratio should not be less than one.

In addition, in September 2010, the Ministry of Land and Resources and MOHURD jointly issued the Notice on Further Strengthening the Administration and Control of Real Estate Use and Construction (《關於進一步加強房地產用地和建設管理調控的通知》), which stipulates, among other things, that the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, and the restrictions on the area of any parcel of land granted for commodity properties should be strictly implemented. The development and construction of large low-density residential properties should be strictly restricted, and the plot ratio for residential land is required to be more than 1:1. In addition, a property developer and its shareholders are prohibited from participating in any bidding to acquire additional land until any illegal behavior in which it has engaged, such as leaving its land idle for more than one year, has been completely rectified. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital.

If changes in government policy lead to a reduction in land supply for our future projects, or we are not successful in tendering for land or obtaining the land use rights certificates or the other necessary PRC government approvals for our projects, our business, financial condition and results of operations may be materially and adversely affected.

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. In 2007, the Ministry of Land and Resources issued the revised Provisions on the Assignment of State-owned Construction Land Use Right through Bid Invitation, Auction and Quotation (《招標拍賣掛牌出讓國有建設用地使用權規定》), which provide that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive the land use rights certificate and commence development on the land. This regulation became effective on 1 November 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. In order to develop and sell property in the PRC, property developers are required to obtain the land use rights certificates from relevant PRC government authorities. As of the date of this offering circular, we had obtained land use rights certificates for all of our properties under development and completed properties.

In November 2009, the PRC government raised the minimum land premium down payment to 50%. In March 2010, this requirement was further tightened. The PRC government set the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract must be entered into within 10 working days after the land grant deal is closed, and the down payment of 50% of the land premium is to be paid within one month of signing the land grant contract, with the remainder to be paid in full within one year of the date of the land grant contract, subject to limited exceptions. Local governments may implement more stringent restrictions on the payment of land premium. Such change of policy may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments.

The implementation of such regulations will require property developers to maintain a higher level of working capital. We cannot assure you that our cash flow position, financial condition or business plans will not be materially and adversely affected as a result of the implementation of this requirement.

The property market in the PRC is at an early stage of development and is volatile

The property market in the PRC is still in a relatively early stage of development. For example, the lack of a mature and active secondary market for private properties and the limited amount of mortgage loans available to individuals in the PRC have been cited as factors which may inhibit demand for residential properties. We are, and expect to continue to be, dependent upon the growth of the urban middle and upper-middle classes in China. A significant downturn in the PRC economy could adversely affect such demand, as well as the demand by corporations and other institutional entities for our commercial properties.

The PRC property market is volatile and may experience undersupply or oversupply and property price fluctuations. The central and local governments frequently adjust monetary and other economic policies to prevent and curtail the overheating of the PRC and local economies, and such economic adjustments may affect the property market in China. We cannot assure you that there will not be overdevelopment in the property sector in China in the future. Any future overdevelopment in the property sector in China may result in an oversupply of properties and a decrease in property prices, as well as an undersupply of available sites for future development and an increase in the cost of acquiring land in our markets, which could materially and adversely affect our business, financial condition and results of operations.

The property market in the PRC is highly competitive and intense competition may materially and adversely affect our business, financial condition and results of operations

The property market in the PRC has been highly competitive in recent years. Property developers from the PRC and overseas have entered the property development market and begun to undertake development and investment projects in Fujian and Jiangsu provinces and other regions of China that we may expand into. We will have to compete with these property developers, as well as with our existing and potential competitors, including state and private property developers in the PRC, as well as property developers from Hong Kong and overseas. Some of our competitors may have greater marketing, financial and technical resources than are available to us, as well as greater economies of scale, broader name recognition, longer track records and more established relationships in certain regions.

Our properties face competition from similar properties in the same region. Increasing competition in these regions may lead to an increase in competition for choice sites, increased costs for the acquisition of land for development, an increase in supply of developed properties, decreased sale prices and a slowdown in the rate at which new real estate developments will be reviewed and approved by the relevant government authorities, all of which would materially and adversely affect our profitability. This competition may also affect our ability to attract and retain tenants and customers and may reduce the rents or prices we are able to charge. Competing properties may have vacancy rates higher than our properties, which may result in those competitors being willing to lease or sell available space at lower prices than the space in our properties. If we are unable to compete effectively, our business, financial condition, results of operations, operation and prospects could be materially and adversely affected.

RISKS RELATING TO THE PRC

Changes in PRC political, economic and social conditions, laws, regulations and policies may have an adverse effect on our business

Substantially all of our assets are located in the PRC and substantially all of our revenue is sourced from the PRC. Accordingly, to a significant degree, our results of operations, financial position and prospects are subject to the economic, political and legal developments of the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including:

- political structure;
- amount and degree of the PRC government involvement and control;
- level of corruption;
- growth rate and degree of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may negatively affect our operations. For example, our financial condition and results of operations may be adversely affected by the PRC Government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC has been transitioning from a planned economy to a more market oriented economy. For approximately three decades, the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. We cannot predict whether changes in the PRC's economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations. In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy, including the real estate industry, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition. In addition, demand for our products and our business, financial condition and results of operations may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rates or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

Governmental control of currency conversion may affect the value of your investment

The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all our revenues in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Our PRC subsidiaries must present certain documents to the State Administration of Foreign Exchange ("SAFE"), its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of withholding tax at a rate of 10% or a lower tax treaty rate, if any, on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the Bonds.

We may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies, particularly US dollars

The value of the Renminbi against the US dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The net proceeds from this offering and any interest we pay on the Bonds will be in US dollars. The conversion of

Renminbi into foreign currencies, including US dollars, has been based on rates set by PBOC. Pursuant to reforms of the exchange rate system announced by the PBOC on 21 July 2005, RMB-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the US dollar. There remains significant international pressure on the PRC government to adopt a more flexible currency policy. On 20 June 2010, the PBOC announced its intention to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate, which could result in a further and more significant appreciation of the Renminbi against the US dollar or other foreign currency. These changes in currency policy resulted in the Renminbi appreciating against the US dollar by approximately 28.8% from 21 July 2005 to 31 December 2011, according to rates published by Bloomberg. These changes in currency policy resulted in Renminbi appreciating against the US dollar and the HK dollar from 2005 to 2013. In August 2015, the Renminbi experienced a substantial devaluation as a result of adjustments made by the PBOC to the reference Renminbi to US dollar exchange rate. The Renminbi may appreciate or depreciate significantly in value against the US dollar in the medium to long term. Moreover, it is possible that in the future, PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market.

Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the US dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert US dollars into Renminbi for such purposes.

The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the US dollar, our financial condition and results of operations could be adversely affected because of our substantial US dollar-denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted to US dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Bonds.

Fluctuation of the value of Renminbi will also affect the amount of our foreign debt service in Renminbi terms since we have to convert Renminbi into foreign currencies to service our indebtedness in foreign currency. We currently do not hedge against our foreign exchange rate risk.

Uncertainty with respect to the PRC legal system could affect us

As all of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations.

Since 1979, the PRC Government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in China. The legal system in China is continuing to evolve. Even where adequate laws exists in China, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgement by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents. Our primary operating subsidiaries were incorporated in China as "wholly foreign-owned enterprises." Although we or our wholly owned subsidiaries are the sole shareholder of, and therefore have full control over, these PRC entities, the exercise of our shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in China, which may be different from the laws of other developed jurisdictions. China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The relative inexperience of China's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. We cannot predict the effect of future legal development in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in the Bonds. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation has occurred. This may also limit the remedies available to you as an investor and to us in the event of any claims or disputes with third parties. Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

For example, on 14 September 2015, the NDRC issued the "Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt" (關於推進企業發行外債備案登記制管理改革的通知) (發改外資[2015]2044號) (the "NDRC Circular") which came into effect on the same day. According to the NDRC Circular, enterprises domiciled within the PRC and their overseas subsidiaries or branches should file and register with the NDRC prior to issuance of foreign debt instruments and report relevant information on the issuance of the foreign debt instruments to the NDRC within ten business days in the PRC after the completion of each issuance. Pursuant to the NDRC Circular, in the case of any significant discrepancy between the circumstances of the enterprises' issuance of foreign debt and the recordation and registration information, an explanation shall be made when information is submitted. The NDRC will include the bad credit records of enterprises that maliciously submit files reports on the quota of foreign debts subject to recordation and registration in the national credit information platform. In practice, enterprises incorporated outside of the PRC and controlled by individuals (other than those controlled by PRC enterprises as expressly provided in the NDRC Circular) also have been required by the NDRC to comply with the NDRC Circular. Additionally, given the involvement of different enforcement bodies of the relevant rules and regulations and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of PRC laws and regulations involve significant uncertainties under the current legal environment. Further, the NDRC may also make oral amendments or modifications to the requirements of, and certificates or approvals issued under, the NDRC Circular on a case by case basis. All these uncertainties may limit the legal protections available to foreign investors including you.

The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics

Our business is subject to general economic and social conditions in the PRC, in particular, in regions where our property development projects are located. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome ("SARS"), H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and subsequently, resulting in tremendous loss of lives and injury and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales, which in turn may adversely affect our business, financial condition and results of operations.

It may be difficult to effect service of process upon us or our directors who live in the PRC or to enforce against us or them judgements obtained from non-PRC courts

We are a holding company incorporated in the Cayman Islands. All of our assets and our subsidiaries are located outside the United States. In addition, all of our directors and officers are nationals or residents of countries other than the United States (principally in the PRC). As a result, it may not be possible to effect service of process outside the PRC upon most of our directors and officers, including matters arising under applicable securities laws. A judgement of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. The PRC does not have treaties providing for the reciprocal enforcement of judgements of courts with the United States and most other western countries.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations

In October 2005, SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) ("Circular No. 75"). In July 2014, Circular No. 75 was abolished by SAFE and was superseded by the Notice Regarding Certain Administrative Measures on Offshore Investing and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("Circular No. 37"). Circular No. 37 and other SAFE rules require PRC residents, including both legal and natural persons, to register with the banks before making capital contribution to any company outside of China (an "offshore SPV") with onshore or offshore assets and equities interests legally owned by PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its registration with the banks with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, the shareholding by PRC individual resident, merger, division and with respect to the PRC individual resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the PRC individual resident. Failure to comply with the required registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, payment of dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular No. 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions. If the relevant SAFE authority determines that our controlling shareholders are required to effect the registration procedures under Circular No. 37 or any of its new interpretations, clarifications, or its new implement rules and otherwise requires our controlling shareholders to register, and if our controlling shareholders fail to comply with, or fail to comply in a timely manner with, such requirements, our controlling shareholders may be subject to fines and legal sanctions and our business operations may be adversely affected.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the PRC real estate industry contained in this offering circular

Facts, forecasts and other statistics in this offering circular relating to China, the PRC economy and the PRC real estate industry have been derived from various official government publications generally believed to be reliable. However, we cannot guarantee the quality or reliability of such materials. They have not been prepared or independently verified by us, the Placing Agent or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. We have, however, taken reasonable care in the reproduction and/or extraction of the official government publications for the purpose of disclosure in this offering circular. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this offering circular may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy and the PRC real estate industry contained in this offering circular.

RISKS RELATING TO THE BONDS

We are a holding company and payments with respect to the Bonds are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries that do not guarantee the Bonds

We are a holding company with no material operations. We conduct our operations through our subsidiaries. The Bonds will not be guaranteed by any current or future subsidiaries. Our primary assets are loans to and ownership interests in our PRC subsidiaries, which are held through the intermediate holding subsidiaries. Accordingly, our ability to pay principal and interest on the Bonds will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of all our subsidiaries and any holders of preferred shares in such entities, would have a claim on the subsidiaries' assets that would be prior to the claims of holders of the Bonds. As a result, our payment obligations under the Bonds will be effectively subordinated to all existing and future obligations of our subsidiaries (including obligations of our subsidiaries under guarantees issued in connection with our business), and all claims of creditors of our subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Bonds. As of 30 June 2019, our PRC subsidiaries had borrowings in the amount of RMB5,469.8 million and they provided guarantees to banks for RMB7,617.2 million of mortgage facilities granted to purchasers of our properties. The Bonds do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any of our subsidiaries would have priority as to our assets or the assets of such subsidiary securing the related obligations over claims of holders of the Bonds.

We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly the US dollars

The Bonds, the 2019 9% Bonds, the 2020 11% Bonds, the 2019 11% Bonds and 2020 15% Bonds are denominated in US dollars, while all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. The PRC Government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. See "Risks Relating to the PRC — We may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies, particularly US dollars". If such reforms were implemented and resulted in devaluation of the Renminbi against the US dollar, our financial condition and results of operations could be adversely affected because of our substantial US dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into US dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Bonds.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. Following the offering of the Bonds, we may enter into foreign exchange or interest rate hedging agreements in respect of our US dollar-denominated liabilities under the Bonds. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments.

Any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries (as relevant) in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligation(s), and the payment and any other consequences and effects of such early termination(s), may be material to our financial condition and/or any of our subsidiaries and may be material in relation to the performance of our or their respective obligations under or in relation to the Bonds (if applicable), any indebtedness or any other present or future obligations and commitments.

We may not be able to repurchase the Bonds upon a Change of Control Event

Following the occurrence of a Change of Control Event (as defined in the Terms and Conditions of the Bonds), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined below in the Terms and Conditions of the Bonds) at 101 per cent. of their principal amount, together in each case with accrued interest to (but excluding) the Put Settlement Date. See "Terms and Conditions of the Bonds."

The source of funds for any such purchase would be our available cash or third party financing. However, we may not have enough available funds at the time of the occurrence of any Change of Control Event to make purchases of outstanding Bonds. Our failure to make the offer to purchase or purchase the outstanding Bonds would constitute an Event of Default under the Bonds. The Event of

Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Bonds and repay the debt.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from Hong Kong bankruptcy law or those of another jurisdiction with which holders of the Bonds are familiar

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in Hong Kong, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of Hong Kong bankruptcy law or other jurisdictions with which the holders of the Bonds are familiar.

We conduct substantially all of our business operations in China. The Company, as an equity holder of its PRC subsidiaries, and certain of its PRC subsidiaries are necessarily subject to the bankruptcy and insolvency laws of China in bankruptcy or insolvency proceedings involving such PRC subsidiaries. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Bonds are familiar. Potential investors should analyse the risks and uncertainties carefully before investing in the Bonds.

We may be unable to obtain and remit foreign exchange

Our ability to satisfy our obligations under the Bonds depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us and to repay shareholder loans. Our PRC subsidiaries must present certain documents to the SAFE, its authorised branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE). Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in respect of such shareholder loan.

If we are unable to comply with the restrictions and covenants in our debt agreements, including the terms and conditions of the 2019 9% Bonds, the 2020 11% Bonds, 2019 11% Bonds and 2020 15% Bonds or terms and conditions of the Bonds, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated

There are certain restrictions and covenants in our debt agreements, including the terms and conditions of 2019 9% Bonds, 2020 11% Bonds, 2019 11% Bonds, 2020 15% Bonds and the terms and conditions of the Bonds which contain, among others, restrictions on our and our subsidiaries' ability to secure or guarantee any indebtedness or dispose of assets, as well as our ability to declare dividends. For example, pursuant to the terms of the 2019 9% Bonds, 2020 11% Bonds and 2019 11% Bonds and 2020 15% Bonds, we are not permitted to incur or guarantee additional indebtedness. See "Description of Other Material Indebtedness". If we are unable to comply with such restrictions and covenants, there could be a default under these agreements and the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the terms and conditions of the 2019 9% Bonds, the terms and conditions of the 2020 11% Bonds, the terms and conditions of the 2019 11% Bonds and the terms and conditions of the 2020 15% Bonds contain cross-acceleration and cross-default provisions. As a result, our default under one debt agreement may cause and acceleration of repayment of debt or result in a default under our other debt agreements, including the terms and conditions governing the 2019 9% Bonds, the 2020 11% Bonds, the 2019 11% Bonds and the 2020 15% Bonds. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing on terms that are acceptable to us or at all.

Our operations are restricted by the terms and conditions of the Bonds, the 2019 9% Bonds, the 2020 11% Bonds, the 2019 11% Bonds, the 2020 15% Bonds and other debt agreements, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk

The terms and conditions of the 2019 9% Bonds, the terms and conditions of the 2020 11% Bonds, the terms and conditions of the 2019 11% Bonds and the terms and conditions of the 2020 20% Bonds and other debt agreements include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on their capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

If we are unable to comply with the restrictions and covenants in our debt agreements, the 2019 9% Bonds, the 2020 11% Bonds, the 2019 11% Bonds or the 2020 15% Bonds, there could be a default under the terms of these agreements or the Placing Agreement, which could cause the repayment of our debt to be accelerated

From time to time we have been required to seek amendments, waivers and consents in connection with financial and other covenants under our debt facilities. Such amendments, waivers and consents have all been granted by the applicable creditors and such incidents have not caused any material adverse impact on our operation and financial conditions. There is no assurance that we will not need to seek such amendments, waivers or consents in the future.

If we are unable to comply with the restrictions and covenants in the terms and conditions of the 2019 9% Bonds, the terms and conditions of the 2020 11% Bonds, the terms and conditions of the 2019 11% Bonds, the terms and conditions of the 2020 15% Bonds or the terms and conditions of the Bonds, or our current or future financing and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the relevant debt could terminate their commitments to lend to us, accelerate the debt obligation and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, certain debt agreements, including the facility agreements, the terms and conditions of the 2019 9% Bonds, or the terms and conditions of the 2020 11% Bonds or the terms and conditions of the 2019 11% Bonds and the terms and conditions of the Bonds, contain cross-acceleration or cross-default provisions. As a result, default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the 2019 9% Bonds, the 2020 11% Bonds, the 2019 11% Bonds and the Bonds, the 2020 15% Bonds and the Bonds or result in a default under other debt agreements, including the terms and conditions of the 2019 9% Bonds, the terms and conditions of the 2020 11% Bonds, the terms and conditions of the 2019 11% Bonds, the terms and conditions of the 2020 15% Bonds and terms and conditions of the Bonds. If any of these events should occur, there can be no assurance that our assets and cash flow would be sufficient to repay in full all indebtedness, or that alternative financing could be found. Even if alternative financing can be obtained, there can be no assurance that it would be on terms that are favorable or acceptable to us.

A trading market for the Bonds may not develop, and there are restrictions on resales of the Bonds

Although application will be made for the listing and quotation of the Bonds on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing on the SGX-ST, or that, if listed, a liquid trading market will develop. We have been advised that the Placing Agent intends to make a market in the Bonds, but the Placing Agent are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See the section headed "Transfer Restrictions." If an active trading market does not develop or is sustained, the market price and liquidity of the Bonds could be adversely affected.

The liquidity and price of the Bonds following the offering may be volatile

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in price for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. We cannot assure you that these developments will not occur in the future.

Certain facts and statistics are derived from publications not independently verified by us, the Placing Agent or our respective advisers

Facts and statistics in this offering circular relating to China's economy and the real estate industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Placing Agent or our or its respective advisers and, therefore, neither we nor any of them makes any representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There may be less publicly available information about us than is available in certain other jurisdictions

There may be less publicly available information about us than is available for public companies in certain other jurisdictions. There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with HKFRS, which differs in certain significant respects from the United States Generally Accepted Accounting Principles ("US GAAP") and the generally accepted accounting principles of other jurisdictions.

Under PRC regulations, we may not be able to transfer to our PRC subsidiaries proceeds from this offering in the form of a loan, which could impair our ability to make timely payments of interest and principal under the Bonds

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. In addition, in April 2013, SAFE promulgated Operating Guidelines for Foreign Debt Registration Administration, effective on 13 May 2013, indicating that SAFE would not process any foreign debt registration or settlement of foreign exchange for foreign debt for foreign-invested enterprises in the real estate sector that was approved by the local office of Ministry of Commerce of the PRC ("MOFCOM") and registered with MOFCOM after 1 June 2007. Foreign-invested enterprises include joint ventures and wholly foreign-owned enterprises established in China, such as some of our PRC subsidiaries. Therefore, the proceeds of the current offering that will be used for land acquisitions and developments in China may only be transferred to our PRC subsidiaries as equity investments or as loans subject to the restrictions on foreign-invested real estate enterprises as imposed by the foreign debt registration rules. Without having the flexibility to transfer funds to our PRC subsidiaries as loans, we cannot assure you that sufficient dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Bonds, or on the maturity date to pay the principal of the outstanding Bonds.

We will therefore have to rely on dividend payments from our PRC subsidiaries, and we cannot assure you that dividend payments will be available on each interest payment date to pay the interest due and payable under the Bonds, on the maturity date to pay the principal of the outstanding Bonds, or at the time of the occurrence of any Change of Control Event to make purchases of outstanding Bonds.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government and filing with the MOFCOM and the local branch of SAFE, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner or at all relevant necessary approval certificates or filings for all our operating subsidiaries in the PRC to comply with this regulation.

Further, we cannot assure you that the PRC Government will not introduce new policies that further restrict our ability to deploy in the PRC, or that prevent us from deploying in the PRC, the funds raised outside China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries

We will be subject to reporting obligations in respect of the Bonds to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

Our audited consolidated financial statements for the year ended 31 December 2016 contain a qualified opinion from our auditor.

On 20 December 2014, the Group entered into an equity sales agreement with a relative of the Company's ultimate controlling shareholders (the "Buyer") to sell the Group's 51% equity interest in a subsidiary (the "Subsidiary") at a consideration of RMB663,000,000 (the "Consideration"). After the sale, the Subsidiary will become a joint venture. On 31 December 2014, the first instalment payment of the Consideration amounted to RMB32,689,000 was received. Further partial payments for the Consideration were received during the year ended 31 December 2015. On 10 January 2015, the Group had handed over certain legal documents and stamps of the Subsidiary to the Buyer, including corporate licenses, corporate stamp, contract stamp and finance stamp, etc. (the "Legal Documents and Stamps"). It is common for the beneficial owners or controlling parties of the People's Republic of China (the "PRC") entities to hold the Legal Documents and Stamps for the execution of contracts and agreements.

In September 2016, the Group has entered into a cancellation agreement to the equity sales agreement signed in December 2014 to terminate the proposed sale of the Group's 51% equity interest in the Subsidiary. The Buyer returned the Legal Documents and Stamps to the Company in October 2016.

In the preparation of 2015 consolidated financial statements, directors of the Company determined that disposal of the Group's 51% equity interest in the Subsidiary was incomplete and accordingly, the Company has not transferred and changed the legal ownership of the Subsidiary in the registry of the Industry and Commerce Bureau of the PRC and that the Group retained control of the

Subsidiary because the Group had the right to make key operating and financing decisions of the Subsidiary notwithstanding the fact that the Legal Documents and Stamps have been handed over to the Buyer.

The predecessor auditor disclaimed their audit opinion on the Group's 2015 consolidated financial statements due to limitations in their scope of audit work including whether consolidating the Subsidiary in the Group's 2015 consolidated financial statements and not recognising the gain on disposal of the Group's 51% equity interest in the Subsidiary was appropriate.

In the absence of satisfactory explanation for handing over the Legal Documents and Stamps to the Buyer and appropriate documentary evidence corroborating their representation that the Group had the right to make key operating and financing decisions of the Subsidiary and the disposal of the Group's 51% interest in the Subsidiary was incomplete as at 31 December 2015 and alternative audit procedures, the current auditor could not satisfy themselves in the audit of the Group's consolidated financial statements for the year ended 31 December 2016 ("2016 consolidated financial statements") as to whether consolidating the Subsidiary in the Group's 2015 consolidated financial statements and not recognising the gain on disposal of the Group's 51% equity interest in the Subsidiary was appropriate.

As such, the Company's audited consolidated financial statements for the year ended 31 December 2016 contain a qualified opinion from its current auditor. For further details, please refer to the section entitled "Basis for Qualified Opinion" in the independent auditor's report of the Company's 2016 consolidate financial statements (which are included elsewhere in this Offering Circular).

Any adjustments, if necessary, to account for the sale of the Group's 51% equity interest in the Subsidiary during the year ended 31 December 2015 would have consequential impacts on the consolidated statement of profit or loss, consolidated statement of other comprehensive income and the elements making up the consolidated statement of cash flows for the year ended 31 December 2016 and the related disclosures thereof in 2016 consolidated financial statements. The audit opinion on 2016 consolidated financial statements is also modified for the possible effect of these unresolved matters on the comparability of the related 2016 figures and the 2015 figures in the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and the related disclosures in 2016 consolidated financial statements. For further details, please refer to Note 3 of the 2016 consolidated financial statements which set out the details of the prior year adjustment provided by the management of the Company. Prospective investors should consider these factors prior to making any investment decision.

Trading of our shares on the Main Board of Stock Exchange was suspended pending an announcement on further information in relation to the disclaimer of opinion by our auditor, which may constitute event(s) of default under our indebtedness

On 1 April 2016, subsequent to our announcement of the 2015 Results and the extract of independent auditor's Report on the Company's consolidated financial statements for the year ended 31 December 2015, trading in our shares on HKSE was suspended at our request pending an announcement on further information in relation to the disclaimer of opinion by our independent auditor on the 2015 Results.

On 29 April 2016 and 27 July 2018, the HKSE issued letters informing us of certain conditions which must be satisfied before our shares would be allowed to resume trading. See "Recent Developments".

Failure to resume trading in the shares of the Company in HKSE by 31 July 2019 may lead to delisting of our shares

On 25 May 2018, HKSE has published certain Guidance Letter in relation to, among other matters, the amendments to the delisting framework under the Listing Rules which came into effect on 1 August 2018. As the shares and debt securities of the Company will have been suspended from trading for more than 12 months as at 1 August 2018, under Rule 6.01A(2)(b)(ii) of the Listing Rules, HKSE may cancel the Company's listing if trading in the shares has remained suspended for 12 continuous months from 1 August 2018. The 12-month period will expire on 31 July 2019. If the Company fails to fulfil all the Resumption Conditions to the satisfaction of HKSE and resume trading in the shares by 31 July 2019, the Listing Department of HKSE will recommend the Listing Committee of HKSE to proceed with the cancellation of the Company's listing. This is subject to HKSE's right to impose a shorter specific remedial period under Rule 6.10 of the Listing Rules where appropriate. On 16 July 2019 and 26 July 2019, we submitted the Resumption Report and the Supplemental Report to the HKSE in relation to the Company's progress of fulfillment of the Resumption Conditions, and application for the confirmation for trading resumption from the HKSE. On 25 November 2019, in response to the further enquiries from the HKSE, we provided the requested further information to the Stock Exchange. As at the date of this offering circular, we are awaiting confirmation from the HKSE in response to our application for confirmation for resumption of trading of our shares on the HKSE. For further details, please refer to the sections headed "Recent Developments — The Resumption Conditions and Further Resumption Conditions".

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deduction of the fees and expenses, will be approximately US$219 million. We intend to use the net proceeds from this Placement to refinance certain existing indebtedness of the Group and for general corporate purposes of the Group.

We expect that the timing and the actual amount of disbursement to be made for the foregoing purposes will be determined by our Directors with a view to obtaining the optimal benefit for us. We may adjust these plans and reallocate proceeds in response to changing market conditions and future events or developments.

EXCHANGE RATE INFORMATION

Since 1994, the PBOC has set and published a daily base exchange rate with reference primarily to the supply and demand of Renminbi in the market during the previous day. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PBOC has authorized the China Foreign Exchange Trading Centre to announce the Renminbi's closing price each day, and that rate serves as the midpoint of the next day's trading band. In 2007, the PBOC widened the daily trading band of the Renminbi against the US dollar from 0.3% to 0.5%. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0 per cent. These changes in currency policy resulted in the Renminbi appreciating against the US dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 17 March 2014, the PBOC further widened the floating band against the US dollar to 2.0 per cent. PBOC authorized the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day. On 11 August 2015, the PBOC announced plans to improve the central parity rate of the Renminbi against the US dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the Renminbi against the US dollar depreciated by nearly 2.0% as compared to 10 August 2015, and further depreciated by nearly 1.6% on 12 August 2015 as compared to 11 August 2015. The International Monetary Fund announced on 30 September 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, the Renminbi against the US dollar continued to depreciate. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rate for US dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the H.10 weekly statistical release of the Federal Reserve Board:

	Noon Buying Rate			
Period	**End**	**Average(1)**	**High**	**Low**
	(RMB per US$1.00)			
2012	6.2301	6.2990	6.2221	6.3879
2013	6.0537	6.1412	6.0537	6.2438
2014	6.2046	6.1704	6.0402	6.2591
2015	6.4778	6.2827	6.1870	6.4896
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019				
January	6.6958	6.7863	6.8708	6.6958
February	6.6912	6.7367	6.7907	6.6822
March	6.7112	6.7119	6.7381	6.6916
April	6.7347	6.7161	6.7418	6.6870
May	6.9027	6.8519	6.9182	6.7319
June	6.8650	6.8993	6.9298	6.8510
July	6.8833	6.8755	6.8927	6.8487
August	7.1543	7.0629	7.1628	6.8972
September	7.1477	7.1137	7.1786	7.0659
October	7.0379	7.0961	7.1473	7.0379
November	7.0308	7.0199	7.0389	6.9766
December	6.9618	7.0137	7.0609	6.9618

(1) Annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth our summary consolidated financial information as at and for the years indicated.

The summary consolidated financial information as at and for the years ended 31 December 2016, 2017 and 2018 set forth below is derived from our annual consolidated financial statements, consolidated financial information included elsewhere in this offering circular and should be read in conjunction with these financial statements and related notes.

Our consolidated financial statements are prepared and presented in accordance with HKFRS.

Consolidated Balance Sheet

	As at 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**
ASSETS					
Non-current assets					
Property, plant and equipment	1,784,249	1,638,606	1,606,743	1,574,264	1,590,897
Right-of-use assets	—	—	—	—	191,998
Investment properties	8,168,835	8,567,027	10,693,027	9,533,900	10,949,022
Land use rights	189,722	164,699	461,258	167,611	457,990
Goodwill	7,169	7,169	7,169	7,169	7,169
Investments in associated companies	1,323,227	1,417,372	1,509,279	1,454,328	1,526,046
Investments in joint ventures	1,948,223	1,965,796	1,987,909	1,940,654	1,992,793
Deferred income tax assets	304,823	529,045	606,273	557,483	706,104
Other financial assets	26,150	30,150	40,550	30,150	40,550
Amount due from a joint venture	264,254	274,455	—	244,759	—
Other receivables	15,086	185,086	106,327	185,086	104,293
Prepayments or deposits for land use rights	2,848,526	2,526,790	1,046,340	1,026,717	822,880
	16,880,264	17,306,195	18,064,875	16,722,121	18,389,742
Current assets					
Land use rights	13,176,631	16,592,338	17,357,451	17,063,969	16,941,382
Properties under development	11,471,804	14,285,914	16,883,863	14,807,868	16,341,713
Completed properties held for sale	9,601,913	9,622,216	10,314,214	10,396,753	13,338,969
Inventories	44,582	41,578	38,606	35,989	42,590
Trade and other receivables and prepayments	5,101,392	4,841,047	4,919,969	4,343,210	4,384,338
Contract costs	—	—	228,475	201,228	200,566
Prepaid income taxes	605,471	459,744	394,407	416,323	481,540
Amounts due from related parties, joint ventures and associated companies	152,874	571,350	1,099,647	819,686	1,883,575
Amounts due from non-controlling interests	196,572	256,860	378,777	266,768	365,582
Restricted cash	1,382,867	366,363	429,621	256,600	419,518
Cash and cash equivalents	2,290,138	2,849,226	5,263,380	6,345,060	4,351,246
	44,024,244	49,886,636	57,308,410	54,953,454	58,751,019
Total assets	60,904,508	67,192,831	75,373,285	71,675,575	77,140,761

	As at 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
LIABILITIES					
Current liabilities					
Trade and other payables	10,765,939	12,466,560	14,938,535	14,224,116	15,721,772
Advance proceeds received from customers	14,802,354	15,720,183	—	—	—
Lease liabilities	—	—	—	—	56,262
Contract liabilities	—	—	20,939,040	18,103,420	23,406,429
Amounts due to related parties, joint ventures and associated companies	4,152,014	5,327,292	6,932,656	5,371,352	6,604,358
Amounts due to non-controlling interests	668,680	697,451	836,285	770,944	1,230,654
Income tax payable	1,120,994	1,619,197	1,895,249	1,850,597	1,740,843
Borrowings	9,148,654	10,254,139	8,729,820	5,258,558	6,939,868
Provision for other liabilities and charges	65,089	65,064	64,827	62,551	64,407
	40,723,724	46,149,886	54,336,412	45,641,538	55,764,593
Net current assets	3,300,520	3,736,750	2,971,998	9,311,916	2,986,426
Total assets less current liabilities	20,180,784	21,042,945	21,036,873	26,034,037	21,376,168
Non-current liabilities					
Deferred government grants	1,611,659	1,641,326	1,429,486	1,592,899	1,396,485
Borrowings	3,440,187	2,611,106	2,109,678	2,311,208	1,523,650
Deferred income tax liabilities	1,816,189	1,974,243	2,209,896	2,072,501	2,344,218
Lease liabilities	—	—	—	—	119,436
Other payables	50,000	400,000	—	92,085	—
	6,918,035	6,626,675	5,749,060	11,068,693	5,383,789
Total liabilities	47,641,759	52,776,561	60,085,472	56,710,231	61,148,382
Net assets	13,262,749	14,416,270	15,287,813	14,965,344	15,992,379
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	536,281	536,281	536,281	536,281	536,281
Reserves	11,906,236	12,932,948	13,422,882	13,265,989	13,843,730
Non-controlling interests	12,442,517	13,469,229	13,959,163	13,802,270	14,380,011
	820,232	947,041	1,328,650	1,163,074	1,612,368
Total equity	13,262,749	14,416,270	15,287,813	14,965,344	15,992,379

Consolidated Income Statement

	Year ended 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**
Revenues	5,089,696	10,071,416	11,641,880	6,518,021	4,118,868
Cost of sales	(3,942,243)	(7,653,174)	(8,319,853)	(4,899,422)	(2,849,817)
Gross profit	1,147,453	2,418,242	3,322,027	1,618,599	1,269,051
Fair value gains on investment properties	295,157	311,966	749,298	715,610	219,991
Other income and other gains and losses	(352,261)	192,705	(168,202)	(98,190)	(37,928)
Net impairment loss on financial assets	—	(2)	(154,707)	(65,402)	(44,137)
Selling and marketing costs	(265,556)	(459,947)	(560,158)	(269,558)	(225,638)
General and administrative expenses	(670,142)	(689,596)	(701,844)	(288,511)	(304,222)
Operating profit	154,651	1,773,368	2,486,414	1,612,548	877,117
Finance income	125,083	100,529	72,788	53,863	50,331
Finance costs	—	—	—	—	(2,302)
Finance income — net	125,083	100,529	72,788	53,863	48,029
Share of results of					
— Associated companies	55,952	34,768	16,701	10,770	(7,407)
— Joint ventures	488,961	(9,849)	(509)	(25,142)	4,884
	544,913	24,919	16,192	(14,372)	(2,523)
Profit before income tax	824,647	1,898,816	2,575,394	1,652,039	922,623
Income tax expense	349,510	(713,365)	(1,286,263)	(698,006)	(472,752)
Profit for the year	1,174,157	1,185,451	1,289,131	954,033	449,871
Attributable to:					
Equity holders of the Company	1,169,435	1,024,220	855,076	698,481	418,255
Non-controlling interests	4,722	161,231	434,055	255,552	31,616
	1,174,157	1,185,451	1,289,131	954,033	449,871
Earnings per share for profit attributable to equity holders of the Company (RMB cents)					
— Basic	19.2	16.8	14.0	11.5	6.9
— Diluted	19.2	16.8	14.0	11.5	6.9

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements, including the Bonds thereto, included elsewhere in this offering circular. Our consolidated financial statements were prepared in accordance with HKFRS, which may differ materially from generally accepted accounting principles in other jurisdictions.

OVERVIEW

We are one of the leading developers of integrated mixed-use commercial complexes and large-scale mixed-use residential properties in China. We also develop hotels and industrial properties such as logistics centres and R&D centres. As at 30 June 2019, our land bank comprised a total GFA of approximately 23.1 million sq.m. distributed across 30 cities in China, of which approximately 21.0 million sq.m. was attributable to us. Our shares have been listed on the HKSE since November 2009, and we had a market capitalization of approximately HK$11.5 billion as at 31 March 2016 before the suspension of trading of our shares in HKSE.

Historically, we focused on affluent second and third tier cities in China, which we believe have substantial economic growth potential. These cities include Xiamen and Zhangzhou in Fujian province, Nanjing, Wuxi and Yangzhou in Jiangsu province and Hefei in Anhui province. We have established strong market positions in Fujian province in the Western Straits Economic Zone and Jiangsu province in the Greater Yangtze River Delta. In recent years, we have expanded our business from the provinces of Fujian, Jiangsu and Anhui to Liaoning province, Shanghai, Beijing and Shenzhen. We have also diversified our product offerings to include more integrated mixed-use commercial complexes, large-scale mixed-use residential projects and other types of properties, such as logistics centres, R&D centres and hotels. We believe our diversified product portfolio will help us reduce our concentration risk on any particular category of property, reduce fluctuations in our revenue streams and position us more favorably to navigate market cycles. In addition to property development, we also provide comprehensive property management services to the tenants and owners of our properties. We believe that the provision of quality property management services can increase the value of our properties in the long term.

We derive substantially all of our revenue from sales of residential and commercial properties and, to a lesser extent, from rental income from our investment properties and operating income from our hotel properties. As at 30 June 2019, we had a total of 120 projects at various stages of development, consisting of:

- completed properties available for sale or lease with an aggregate attributable GFA of approximately 2.5 million sq.m.;
- properties under development with an aggregate attributable GFA of approximately 14.5 million sq.m.;
- properties held for future development with an aggregate attributable GFA of approximately 4.3 million sq.m.; and
- properties with a total planned GFA of approximately 19.6 million sq.m. that we obtained pursuant to governmental MOU or acquisitions of project companies.

For the three years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, our revenues were RMB5,089.7 million, RMB10,071.4 million, RMB11,641.9 million, RMB6,518.0 million and RMB4,118.9 million, respectively. Profits attributable to equity holders of the Company for the corresponding periods were RMB1,169.4 million, RMB1,024.2 million, RMB855.1 million, RMB698.5 million and RMB418.3 million, respectively.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic growth, urbanization and demand for commercial and residential properties in China, and in particular Jiangsu, Anhui and Fujian provinces

Economic growth, increasing urbanization and rising standards of living have been the main driving forces behind the growth of market demand for commercial and residential properties in China. Starting from the second half of 2008, the global economic slowdown and financial crisis materially and adversely impacted the PRC economy, including the PRC property market, which experienced declines in transaction volumes and a mild correction in selling prices as seen in a number of cities and provinces in 2011. Overall economic conditions and demand for property prices in China, and in particular Fujian and Jiangsu provinces, where we have significant operations, have had, and will continue to have, a significant impact on our business, financial condition and results of operations. Because we primarily target fast-growing second and third tier cities, and more specifically businesses and individual property buyers and tenants in such cities, we believe that increasing urbanization and overall economic growth in China are especially important to our operations.

Regulatory measures in the real estate industry and availability of financing in China

The regulatory policies affecting the real estate industry, including tax policies, land grant policies, pre-sale policies, interest rate policies, consumer credit and mortgage financing policies and other macro-economic policies will continue to have a significant impact on demand for our properties, and thus our business, financial condition and results of operations. Since 2005, the PRC Government has implemented measures designed to moderate the rate of growth in the PRC property market by, among other things, discouraging speculation in residential property and increasing the supply of affordable housing. Please refer to the section headed "Risk Factors" of this offering circular.

Property and revenue mix

We derive our revenue mainly from sale of commercial and residential properties. Commercial properties generally command higher average selling prices per sq.m., and have higher gross profit margins than residential properties. In addition, we have in the past retained, and in the future may retain, a portion of our commercial properties as investment properties for generating recurring rental income, capital appreciation or both depending on market conditions and our cash flow requirements. A higher proportion of completed properties retained as investment properties may lower our revenues and cash inflows in the short term due to the loss of cash inflows and revenues generated during pre-sales and upon delivery. Accordingly, our business, financial condition, results of operations and the cash flows generated from our operations may vary significantly from period to period depending on the type of properties we sell and the proportion of completed commercial properties we retain as investment properties.

Project development schedules

The number of properties and the total GFA of properties that we can develop or complete during any particular period is limited due to the substantial capital and management resources required for land acquisition and project development. Our cash flow and revenues are affected by project development schedules due to the time lag between commencing development of a project, conducting pre-sales and completion and delivery of the properties. Project schedules depend on a number of factors, including the performance and efficiency of our independent contractors and our ability to finance construction with bank borrowings and pre-sales. Delays in construction and obtaining relevant government licences and approvals and other factors can materially and adversely affect our project development schedules. In addition, as market demand fluctuates, revenues in a particular period may also depend on our ability to gauge the expected market demand at the expected time for completion and delivery of a particular project. As a result of these factors, our business, financial condition and results of operations have fluctuated in the past and may continue to fluctuate in the future.

Land prices and availability of land suitable for development

Our growth depends on our ability to secure quality land at prices that can offer reasonable returns. With the maturing of the PRC property market, competition among developers to acquire land that is suitable for commercial and residential property development has intensified. Undeveloped land in China's major cities is becoming increasingly scarce. In addition, the public tender, auction and listing-for-sale process in respect of the grant of land use rights has increased competition for land suitable for development. As a result, we expect that the cost of land acquisition may continue to increase in the future. We sometimes acquire land through entering into MOU with various PRC Governmental bodies after being approached by them regarding urban renewal and redevelopment programmes in different cities and locations. Although these MOU set out the parties' intention to co-operate and develop the relevant projects, terms relating to the land parcels including the amount of land premium payable are subject to the land use rights grant contracts to be entered into between the relevant governmental authorities and us. We are required to go through the public tender, auction, or listing for sale procedures under the PRC rules and obtain relevant government approvals before we can obtain the land use rights with respect to the land parcels under these MOU. We cannot assure you that these MOU will lead to our acquisition of any land use rights.

Fair value adjustments of investment properties

Our investment properties include portions of our completed commercial properties or other properties held for long-term rental yields, capital appreciation or both. In accordance with HKAS 40, the Hong Kong Accounting Standard for investment properties issued by the Hong Kong Institute of Certified Public Accountants, investment properties may be recognised by using either the fair value model or the cost model. We have chosen to recognise investment properties at their fair value because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties.

An investment property is measured initially at its cost, including related transaction costs. After initial recognition, it is carried at fair value, with changes in fair value recognised in the consolidated income statement. If a 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 in equity as a revaluation of the property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

Upward revaluation adjustments reflect unrealised capital gains on our investment properties in the relevant period and do not generate any cash inflow for our operations or a potential source of cash for the payment of interest or principal on our debt obligations.

Fluctuations in development costs

Our results of operations are affected by our project development costs, a significant part of which are comprised of our contractual payments to our construction contractors. Our payments to our contractors mainly consist of construction material costs and labour costs. Generally, our agreements with our contractors provide that we will absorb any increase in labour costs and any increase in excess of 5% of the agreed costs of construction materials. We expect our development costs will continue to be influenced by fluctuations in the cost of construction materials and by the rise in the cost of labour for our property developments.

Access to and cost of financing

Borrowings including bank borrowings, senior notes and bonds have been an important source of funding for our property developments. As at 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, our outstanding borrowings amounted to RMB12,588.9 million, RMB12,865.2 million, RMB10,839.5, RMB12,569.8 million and RMB8,463.5 million, respectively. The interest rates of our bank borrowings are floating with reference to the benchmark interest rate set by the PBOC, and any increase in this rate will increase the finance costs of our project developments. During much of 2016, 2017 and 2018, our cost of borrowings increased as the PBOC raised its benchmark interest rates in an effort to prevent overheating of the economy. In respect of those loans which are granted to us for the construction of specific projects, the proceeds thereof cannot be applied to the construction of another project and generally may not be renewed. Our access to and cost of financing are also affected by restrictions imposed from time to time by the PRC Government on bank lending for property development. To the extent the PRC Government slows the development of the private property sector, either by restricting loans to the sector or increasing lending rates to the sector, our access to capital and cost of financing may be adversely affected, and our revenues and net profits will be significantly reduced. In addition, although we have limited bank borrowings in foreign currencies, any fluctuations in global credit markets, as were seen during the recent global financial crisis, could materially and adversely affect us insofar as they impact interest rates and the availability of credit in China.

Taxation

Our income tax expense includes EIT and LAT paid and accrued by our subsidiaries. A description of each is set forth below:

EIT

The enterprise income tax rate that was generally applicable in China was 33% of taxable income prior to 1 January 2008 and has been 25% commencing on 1 January 2008. Our subsidiaries in Xiamen had been entitled to a preferential enterprise income tax rate of 15% prior to 1 January 2008 pursuant to then applicable PRC national and local tax laws. As a result of the EIT Law enacted by the National People's Congress on 16 March 2007 and effective on 1 January 2008, the uniform enterprise income tax rate of 25% applies to our subsidiaries located in Xiamen. However, the EIT Law also provides a transition period starting from its effective date for those enterprises which were established before 16 March 2007 and which were entitled to a preferential lower income tax rate under the then-effective tax laws or regulations. On 6 December 2007, the State Council issued the Transition Preferential Policies Circular, which stipulates the income tax rates during the transition period to be applied to those enterprises then entitled to a preferential income tax rate of 15% and established before 16 March 2007. During such transition period, our subsidiaries established before 16 March 2007 and located in Xiamen were subject to a tax rate of 18%, 20%, 22% and 24% in 2008, 2009, 2010 and 2011, respectively, and the uniform rate of 25% in 2012. Except for our subsidiaries as mentioned above, our other subsidiaries located in China have been subject to enterprise income tax at a rate of 25% commencing on 1 January 2008.

LAT

Under PRC tax laws and regulations, our properties in the PRC are subject to LAT on the appreciation of land value and the improvements on the land upon the sale of such properties. All appreciation from the sale or transfer of land use rights, and buildings and their attached facilities in the PRC, is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as determined by relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the total deductible items, but this exemption does not extend to sales of commercial properties. We are required to pay 1% to 5% of our sales and pre-sales proceeds as prepaid LAT.

Upon recognition of revenues from properties sold, we recognise LAT as an expense. We make provisions for LAT based on the appreciation of land value, which is calculated based on the sales of properties less deductible expenditures, including land premiums, capitalized borrowing costs and certain property development expenditures. We have estimated our LAT liabilities according to our understanding of the requirements under the relevant PRC tax laws and regulations. The final LAT liabilities of our Group are to be determined by the tax authorities after completion of our property development projects, and could be different from the amounts that we have estimated due to lack of clear regulations or guidelines in this regard and differences between our estimates and those of the tax authorities.

CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial information in accordance with HKFRS. The preparation of financial information in conformity with HKFRS requires us to make judgments, estimates and assumptions that affect: (i) the reported amounts of our assets and liabilities at the end of each fiscal period; (ii) the disclosure of our contingent assets and liabilities at the end of each fiscal period; and (iii) the reported amounts of revenue and expenses during each fiscal period.

We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application. When reviewing our financial information, you should consider: (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies are the most significant or involve a higher degree of judgment and estimates used in the preparation of our consolidated financial information.

Revenue recognition

Revenues comprise the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of our activities, net of returns and discounts. Revenues are recognised as follows:

Sales of properties

Revenues from sales of properties are 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 balance sheet under current liabilities as advanced proceeds received from customers.

Rental income

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

Hotel operating income

Hotel operating income is recognised when the services are rendered.

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 based on past experience. Development cost of properties comprises construction costs, amortisation of land use rights, capitalized borrowing costs and professional fees incurred during the development period. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. On completion, the properties under development are transferred to completed properties held for sale.

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

Investment properties

A property that is held for long-term rental yields or for capital appreciation, or both, and that is not occupied by our Group, is classified as an investment property. Investment properties comprise land held under operating leases and buildings owned by the Group. Land held under operating leases are classified and accounted for as investment properties when the rest of the definition of investment properties is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are measured initially at their 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, we use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed at each balance sheet date by independent valuers. 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. Investment properties that are being redeveloped for continuing use as investment properties, or for which the market has become less active, continue to be measured at fair value.

A 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 income statement.

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 income statement during the financial period in which they are incurred.

Changes in fair values of investment properties are recognised in the consolidated income statement.

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.

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 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 in the consolidated income statement.

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

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 and comprises construction costs, amortisation of land use rights, capitalized 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 to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

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.

Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where we and our subsidiaries, associated companies or jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations. 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, 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 applicable tax rates and laws and regulations that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised 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 or jointly controlled entities, except 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 on fair value gains on investment properties is recognised as income tax expenses on the consolidated income statement.

Land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. We estimate and make provisions for the amount of LAT payable under the applicable laws and regulations and recognise this as an income tax expense in our financial statements together with the recognition of revenues from the sale of our properties. The implementation and settlement of these taxes varies among different tax jurisdictions in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and related taxes. The Group recognises these land appreciation taxes 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 would impact the income tax expense and deferred income tax provisions in the periods in which such taxes are finalized with the local tax authorities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowing costs incurred for the construction of any qualifying asset are capitalized 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.

RESULTS OF OPERATIONS

The following table shows, for the periods indicated, selected income statement items derived from our consolidated financial statements included elsewhere in this offering circular:

	Year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Continuing operations:					
Revenues	5,089,696	10,071,416	11,641,880	6,518,021	4,118,868
Cost of sales	(3,942,243)	(7,653,174)	(8,319,853)	(4,899,422)	(2,849,817)
Gross profit	1,147,453	2,418,242	3,322,027	1,618,599	1,269,051
Fair value gains on investment properties	295,157	311,966	749,298	715,610	219,991
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Net impairment loss on financial assets	—	(2)	(154,707)	(65,402)	(44,137)
Selling and marketing costs	(265,556)	(459,947)	(560,158)	(269,558)	(225,638)
General and administrative expenses	(670,142)	(689,596)	(701,844)	(288,511)	(304,222)
Operating profit	154,651	1,773,368	2,486,414	1,612,548	877,117
Finance income	125,083	100,529	72,788	53,863	50,331
Finance costs	—	—	—	—	(2,302)
Finance income — net	125,083	100,529	72,788	53,863	48,029
Share of results of					
— Associated companies	55,952	34,768	16,701	10,770	(7,407)
— Joint ventures	488,961	(9,849)	(509)	(25,142)	4,884
	544,913	24,919	16,192	(14,372)	(2,523)
Profit before income tax	824,647	1,898,816	2,575,394	1,652,039	922,623
Income tax expense	349,510	(713,365)	(1,286,263)	(698,006)	(472,752)
Profit for the year	1,174,157	1,185,451	1,289,131	954,033	449,871
Attributable to:					
Equity holders of the Company	1,169,435	1,024,220	855,076	698,481	418,255
Non-controlling interests	4,722	161,231	434,055	255,552	31,616
Total	1,174,157	1,185,451	1,289,131	954,033	449,871

DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

Revenues

During 2016, 2017 and 2018, our revenues were mainly derived from sales of commercial and residential properties. We recognise revenues from sales of properties after the properties have been completed and delivered. The GFA of properties delivered in any given period is driven primarily by property development schedules and market demand, including market demand from prior periods during which we pre-sell the properties. Average selling prices are primarily affected by overall market conditions and our mix of products for sale. Commercial properties generally command higher average selling prices than residential properties.

We also derive revenues from rental income from our investment properties and operating income from our hotel properties, which we build and own. Rental income from investment properties is recognised on a straight line basis over the lease term and is primarily affected by the GFA of the properties we lease out, rental rates and tenancy rates. Hotel operating income comprises the sale of accommodations, food, beverages and other ancillary products and services to our customers and is primarily affected by the number and size of the hotels we operate, room rates and occupancy rates. One of our hotels, Xiamen Mingfa Hotel was classified as investment properties from 2016 to 2018 as it has been operated by third party management companies that pay us a fixed fee in the amount of RMB5.5 million per annum respectively, which we record as rental income. The following table shows the breakdown of our revenues by source and the percentage of the total revenue for the periods indicated:

	Year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB million (audited)		RMB million (audited)		RMB million (audited)		RMB million (unaudited)		RMB million (unaudited)	
Sales of properties										
Commercial	286.0	5.6%	548.6	5.4%	886.7	7.6%	87.6	1.3%	363.3	8.8%
Residential	4,385.6	86.2%	9,030.1	89.7%	10,236.9	87.9%	6,191.4	95.0%	3,494.3	84.8%
Subtotal	4,671.6	91.8%	9,578.7	95.1%	11,123.6	95.5%	6,279.0	96.3%	3,857.6	93.6%
Rental income from investment properties, property management fee income and etc	231.8	4.6%	257.1	2.6%	285.3	2.5%	125.4	1.9%	149.5	3.6%
Hotel operating income	185.2	3.6%	226.2	2.2%	224.7	1.9%	108.6	1.7%	110.0	2.7%
Others	1.1	—	9.4	0.1%	8.3	0.1%	5.0	0.1%	1.7	0.1%
Total	5,089.7	100.0%	10,071.4	100.0%	11,641.9	100.0%	6,518.0	100.0%	4,118.8	100.0%

Our revenues from sales of commercial properties during 2016, 2017 and 2018 increased significantly principally as a result of the delivery of pre-sold commercial properties in Shanghai Mingfa Shopping Mall upon completion in 2016, Nanjing Mingfa New City Finance Building in 2017 and Jinzhai Mingfa Shopping Mall in 2018. The delivery of commercial properties increased significantly from 2016 to 2018. Our revenues from sales of residential properties increased from 2016 to 2018 as the pre-sold properties in Beijing Mingfa Shopping were delivered to the buyers upon completion in 2016, Nanjing Mingfa Xianghill Garden in 2017, Nanjing Rong Li and Nanjing Mingfa Cloud Mansion in 2018.. Revenues from sales of both commercial and residential properties and their respective percentage of our total revenue fluctuated and may continue to fluctuate significantly from period to period depending on multiple factors, including project development, pre-sales and sales schedules.

Increases in our hotel operating income during 2016, 2017 and 2018 were primarily attributable to increasing revenues from more hotels in operating during the years. Other revenues were the revenue generated from construction business.

Cost of sales

Our cost of sales primarily consists of cost of properties sold, which are costs directly associated with the sale of our commercial and residential properties. The cost of properties included in cost of sales of the Group was RMB3,556.0 million, RMB6,962.1 million and RMB7,815.8 million for the years 2016, 2017 and 2018, respectively. Cost of properties sold accounted for 90.2%, 91.0% and 93.9% of our total cost of sales in 2016, 2017 and 2018, respectively. Cost of properties sold includes construction costs, land acquisition costs and capitalized borrowing costs. The main factors affecting cost of properties sold in a given period include the amount of GFA delivered during that period, the mix between commercial and residential properties and the location of the properties.

Construction costs. Construction costs represent costs for the design and construction of property projects, consisting primarily of fees paid to our contractors, including general contractors and contractors responsible for civil engineering construction, landscaping, equipment installation and interior fittings, as well as design costs. In addition, construction costs include salaries and office expenses for our construction sites and telecommunication costs. Our construction costs are affected by a number of factors such as changes in construction labour costs and construction materials costs, location and types of properties, choices of materials and development of ancillary facilities. The historical increases in our construction costs have been primarily driven by increases in the amount of GFA we delivered and increases in the cost of construction materials, which are impacted by the type and quality of materials we use and fluctuations in market prices of certain key materials such as steel and cement.

Land acquisition costs. Land acquisition costs represent costs relating to the acquisition of the rights to occupy, use and develop land, including land premiums, deed taxes and government surcharges. Land acquisition costs as a percentage of our cost of sales were 12.2% in 2016, 15.9% in 2017 and 18.01% in 2018 which were primarily due to the delivery of different projects for each year.

Finance cost. Our borrowing costs are capitalized to the extent that such costs are directly attributable to the acquisition or construction of projects. Such capitalized borrowing costs are included as part of the cost of sales for the relevant property when we recognise the revenues.

Business taxes and other levies on sales of properties. Our revenues from sales of property developments are subject to business taxes of 5%.

Direct outgoings arising from investment properties that generate rental income. Costs incurred on investment properties principally include a 5% business tax paid on rental income and urban real estate tax.

Gross profit and gross profit margin

Our gross profit is the difference between revenues and cost of sales. Gross profit margin which is gross profit divided by revenues, was 22.5%, 24.0%, 28.5%, 24.8% and 30.8% for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, respectively. Our gross profit margin during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 was primarily affected by our property mix between commercial and residential properties, with commercial properties generally generating higher gross profit margins.

Fair value gains on investment properties

Fair value gains on investment properties represent changes in such value arising from adjustments to existing investment properties in accordance with prevailing market condition, and the recategorisation of properties from inventories (including properties under development and completed properties held for sale) when a change in use occurs which results in leasing of the properties. For further details regarding the method for determining the fair value of our investment properties, please refer to the section headed "— Critical Accounting Policies — Investment properties" above.

As of 31 December 2016, 2017 and 2018 and 30 June 2018 and 2019, we held investment properties with a total leasable area of 860,900 sq.m., 928,307 sq.m., 1,043,009 sq.m., 985,809 sq.m. and 1,059,308 sq.m., respectively. For the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, we recognised fair value gains on our investment properties before tax in the amount of RMB295.2 million, RMB312.0 million, RMB749.3 million, RMB715.6 million and RMB220.0 million, respectively.

Changes in our fair value gains on investment properties during 2016, 2017 and 2018 were primarily due to changes in valuation based on fluctuations in prevailing market prices and additional recognition arising from transfers of property under development to investment property upon completion and classification of investment properties before construction.

Other gains — Net

Other gains included (i) government grants; (ii) net exchange gains; (iii) net gain from disposal of equity interests in subsidiaries; (iii) compensation income; (iv) redemption of bonds; (v) net gain from disposal of property, plant and equipment.

Selling and marketing costs

Our selling and marketing costs have principally comprised advertising, promotion and commission costs. Advertising, promotion and commission costs are affected by our selling and project development schedules for individual projects, with such costs being highest during the pre-sales period and declining as the project nears completion. As a result, most of the advertising, promotion and commission costs for a project are incurred and recognised prior to recognition of revenues for the project. The following table shows the principal components of our selling and marketing costs for the periods indicated:

	Year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB million (audited)	RMB million (audited)	RMB million (audited)	RMB million (unaudited)	RMB million (unaudited)
Total	265.6	459.9	560.2	269.6	225.6

The increase in our selling and marketing costs from 2016 to 2018 was primarily in line with sales revenue. Selling and marketing costs were approximately RMB225.6 million for the six months ended 30 June 2019, representing decrease of 16.3% over 2018. The decrease was mainly due to the decrease in sales commission which was resulted from the decrease in sales.

General and Administrative expenses

Our general and administrative expenses have primarily comprised office expenses, staff costs, professional fees, provisions for impairment of receivables related to overdue rent payments due to us on our investment properties, certain levies on sales of properties and depreciation of property, plant and equipment. Changes in administrative expenses are largely affected by the size of our operations, including the number and size of our developments. The following table shows the principal components of our administrative expenses for the periods indicated:

	Year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB million (audited)	RMB million (audited)	RMB million (audited)	RMB million (unaudited)	RMB million (unaudited)
Staff costs	306.3	361.3	435.8	234.7	239.3
Depreciation	82.4	86.7	115.4	56.3	58.2
Professional fees and auditor's remuneration	4.8	4.8	4.8	2.4	2.4
Other expenses (net)	276.6	236.8	145.8	(4.9)	4.3
Total	670.1	689.6	701.8	288.5	304.2

Other operating expenses

Other operating expenses have principally included (i) provisions for potential legal claims in relation to delays in property delivery; (ii) exchange losses; (iii) net loss from repurchase and redemption of bonds and (v) impairment of goodwill.

Finance costs — net

Our finance income during the three years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 was mainly derived from interest income on bank deposits. Our finance costs have primarily included interest expenses for bank loans, senior notes and convertible bonds less interest capitalized. Since the construction period for a project does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project can be capitalized. As a result, our finance costs fluctuate from period to period. We had net finance costs of nil, nil, nil, nil and RMB2.3 million and finance income of RMB125.1 million, RMB100.5 million, RMB72.8 million, RMB53.9 million and RMB50.3 million in the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, respectively. The increase in our finance costs from 2016 to 2018 was primarily due to some interests was not allocated to the specific projects. The following table shows the breakdown of our net finance costs for the periods indicated:

	Year ended 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB million (audited)	**RMB million (audited)**	**RMB million (audited)**	**RMB million (unaudited)**	**RMB million (unaudited)**
Finance income					
— interest income on bank deposits and loan to a related third party	125.1	100.5	72.8	53.9	50.3
Interest on bank borrowings	803.7	706.8	638.5	389.6	290.8
Interest on lease liabilities	—	—	—	—	(2.3)
Interest expenses on other borrowings and advances from third parties	(132.3)	(61.8)	(31.9)	—	—
Interest expense on senior notes and bonds	(94.6)	(223.0)	(340.9)	—	—
Less: Interest capitalized	(1,030.6)	(991.6)	(1,011.2)	(389.6)	(290.8)
Finance costs	—	—	—	—	(2.3)
Net finance income	125.1	100.5	72.8	53.9	48.0

Profit before income tax

Our profit before income tax is primarily impacted by gross profit, fair value gains on investment properties, fair value gains on derivative financial instruments, selling and marketing costs and administrative expenses. In the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, we had a profit before income tax of RMB1,174.2 million, RMB1,185.5 million, RMB1,289.1 million, RMB954.0 million and RMB449.9 million, respectively.

Income tax expenses

Income tax represents primarily provisions for EIT, PRC withholding income tax and LAT. According to the EIT law, starting from 1 January 2008, a 10% withholding income tax has been levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends arising from profits earned after 1 January 2008. A lower of 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. For 2016, 2017 and 2018, we estimated and made provisions for the full amount of LAT for which we were liable in accordance with the relevant PRC tax laws and regulations. LAT 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. Changes in our

LAT expenses during 2016, 2017 and 2018 were principally attributable to the relative proportion of our revenues derived from sales of commercial properties, which generally enjoy a higher gross margin than sales of residential properties. Our corporate tax rate for 2016, 2017 and 2018 was 25%, 25% and 25%, respectively. Our effective tax rate has historically been significantly affected by the relative proportion of our profit derived from sales of properties which were subject to LAT. The following table shows the principal components of our income tax expenses for the periods indicated:

	Year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB million (audited)	RMB million (audited)	RMB million (audited)	RMB million (unaudited)	RMB million (unaudited)
Current income tax					
PRC EIT	155.5	468.9	645.6	280.6	126.7
PRC LAT					
— current year	258.9	310.6	390.0	172.0	278.5
— over provision in respect of prior years	(964.4)	—	—	—	—
	(550.0)	779.5	1,035.6	452.6	405.2
Deferred income tax					
PRC EIT	130.7	(146.9)	165.4	196.3	27.0
PRC withholding income tax	69.8	80.7	85.3	49.1	40.6
	200.5	(66.2)	250.7	245.4	67.6
Total tax expense/(credit)	(349.5)	713.3	1,286.3	698.0	472.8

REVIEW OF HISTORICAL OPERATING RESULTS

Year ended 31 December 2016 compared to year ended 31 December 2017

Revenues

Our revenues increased by 97.9% to RMB10,071.4 million in 2017 from RMB5,089.7 million in 2016, primarily due to the increase in GFA delivered from 674,347 sq.m. to 1,029,065 sq.m. in 2017. Our revenues from sales of residential properties accounted for 89.7% of our revenues from sales of properties in 2017 versus 86.2% in 2016. Revenues from sales of commercial properties increased to RMB548.6 million in 2017 from RMB286.0 million in 2016, primarily because of the delivery of commercial properties in Nanjing Mingfa New City Finance Building upon completion in 2017.

Our rental income and management fee income generated from investment properties increased by 10.9% to RMB257.1 million in 2017 from RMB231.8 million in 2016, primarily due to the regular rental adjustment.

Hotel operating income increased by 22.1% to RMB226.2 million in 2017 from RMB185.2 million in 2016, primarily due to more revenue was generated from the hotel in Zhangzhou.

Cost of sales

Our cost of sales increased by 94.1% to RMB7,653.2 million in 2017 from RMB3,942.2 million in 2016, primarily due to an increase in the GFA delivered in 2017 in line with revenue. Our average cost of properties included in cost of sales of the Group increased by 28.3% to RMB6,765.6 per sq.m. for 2017 from RMB5,273.3 per sq.m. in 2016, primarily due to the higher land cost of Nanjing properties which were delivered in 2017.

Gross profit and gross profit margin

Our gross profit increased by 110.7% to RMB2,418.2 million in 2017 from RMB1,147.5 million in 2016. The main reason for the increase in the gross profit was due to the revenue growth which was arisen from the increase in properties delivery from 674,347 sq.m. in 2016 to 1,029,065 sq.m. in 2017. The increase in gross profit margin from 22.5% in 2016 to 24.0% in 2017 was also due to more properties with higher gross margin were delivered in 2017. The GFA delivered increased by 52.6% in 2017 as compared to 2016 and our gross profit increased by 110.7% mainly because of the reason mentioned before.

Fair value gains on investment properties

Fair value gains on our investment properties increased by 5.7% to RMB312.0 million in 2017 from RMB295.2 million in 2016. The higher fair value gains in 2017 were primarily due to additional investment properties in 2017.

Other gains

Our other gains increased to RMB192.7 million in 2017 as compared to an other loss of RMB352.3 million in 2016. Such change in 2017 was primarily because of exchange difference mainly arises from the senior notes and bonds which is denominated in US dollars in 2017.

Selling and marketing costs

Our selling and marketing costs increased by 73.2% to RMB459.9 million in 2017 from RMB265.6 million in 2016, primarily due to the increase in sales commission where the sales increased from RMB5.1 billion in 2016 to RMB10.1 billion in 2017.

General and administrative expenses

Our general and administrative expenses increased by 2.9% to RMB689.6 million in 2017 from RMB670.1 million in 2016.

Finance income and costs

Our finance income decreased by 19.6% to RMB100.5 million in 2017 from RMB125.1 million in 2016, primarily due to the drop in cash balance in 2017 so that interest income decreased accordingly. On the other hand, all interest expenses had been capitalized in 2017 and 2016.

Profit before income tax

Our profit before income tax increased by 130.3% to RMB1,898.8 million in 2017 from RMB824.6 million in 2016.

Income tax expense

Our income tax expense was RMB713.4 million in 2017. In 2016, a portion of provision for PRC land appreciation tax brought forward from prior years of certain subsidiaries was reversed during the year after the relevant tax authorities have confirmed the final amounts of the PRC land appreciation tax charged to the subsidiaries with a net written back of RMB349.5 million.

Profit for the year

As a result of the foregoing, we had a profit in 2017 of RMB1,185.5 million, compared to a profit of RMB1,174.2 million in 2016.

Year ended 31 December 2017 compared to year ended 31 December 2018

Revenues

Our revenues increased by 15.6% to RMB11,641.9 million in 2018 from RMB10,071.4 million in 2017, primarily due to the increase in the GFA delivered from 1,029,065 sq.m. in 2017 to 1,248,065 sq.m. in 2018. Our revenues from sales of residential properties accounted for 89.7% of our revenues from sales of properties in 2017 versus 87.9% in 2018, as the total GFA of residential properties delivered increased to 1,178,739 sq.m. in 2018 from 1,000,828 sq.m. in 2017. The increased GFA of residential properties delivered was because most of the residential properties in Nanjing Rong Li and Nanjing Mingfa Cloud Mansion had been delivered upon completion in 2018. Revenues from sales of commercial properties increased by 61.6% to RMB886.7 million in 2019 from RMB548.6 million in 2017, primarily because most of commercial properties in Jinzhai Mingfa Shopping Mall was delivered in 2018.

Our rental income and management fee income generated from investment properties increased by 11.0% to RMB285.3 million in 2018 from RMB257.1 million in 2017, which was mainly due to the increase in GFA of investment properties and regular rental review. Hotel operating income decreased by 0.7% to approximately RMB224.7 million in 2018 from RMB226.2 million in 2017.

Cost of sales

Our cost of sales increased by 8.7% to RMB8,319.9 million in 2018 from RMB7,653.2 million in 2017, primarily due to increase in the GFA delivered in line with increase of 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 average cost of properties included in cost of sales of RMB6,765.6 per sq.m. in 2017. The main reason was due to the lower land cost of Wujiang properties which were delivered in 2018.

Gross profit and gross profit margin

Our gross profit increased by 37.4% to RMB3,322.0 million in 2018 from RMB2,418.2 million in 2017. The main reason for the increase in the gross profit was the increase in GFA delivered from 1,029,065 sq.m. in 2017 to 1,248,065 sq.m. in 2018. The increase in gross profit margin to 28.5% in 2018 from 24.0% in 2017 was also due to more properties with higher gross margin were delivered in 2018.

Fair value gains on investment properties

Fair value gains on our investment properties increased by 140.2% to RMB749.3 million in 2018 from RMB312.0 million in 2017. The higher fair value gains in 2018 were primarily due to the additional investment properties in Beijing and Xiamen in 2018.

Other losses — Net

Other losses of approximately RMB168.2 million was incurred in 2018 while other gains of approximately RMB192.7 million was recorded in 2017. 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

Our selling and marketing costs increased by 21.7% to RMB560.0 million in 2018 from RMB460.0 million in 2017, primarily due to the additional sales commission for the increase in revenue.

General and administrative expenses

Our general and administrative expenses were RMB702.0 million in 2018 as compared to RMB690.0 million in 2017.

Net finance costs

Our net finance income of the Group decreased from a net income of RMB100.5 million in 2017 to a net income of RMB72.8 million in 2018 primarily due to the increase in interest capitalization to corresponding projects in 2018.

Profit before income tax

Our profit before income tax increased by 35.6% to RMB2,575.4 million in 2018 from RMB1,898.8 million in 2017.

Income tax expense

Our income tax expense increased by 80.3% to RMB1,286.3 million in 2018 from RMB713.4 million in 2017, increasing roughly in line with our profit before income tax.

Profit for the year

As a result of the foregoing, we had a profit in 2018 of RMB1,289.1 million, compared to a profit of RMB1,185.5 million in 2017.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our cash has been mainly used for the acquisition of land and financing construction of our projects.

The following table shows selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB million (audited)	RMB million (audited)	RMB million (audited)	RMB million (unaudited)	RMB million (unaudited)
Selected cash flow statement data					
Net cash generated from/(used in) operating activities	1,182.4	(3,365.7)	2,779.8	3,352.1	1,466.9
Net cash (used in)/generated from investing activities.	(1,725.6)	(151.9)	(807.5)	(292.2)	34.1
Net cash generated from financing activities	916.8	4,079.1	422.7	427.4	(2,426.7)
Effect of foreign exchange rate changes on cash	1.4	(2.4)	19.2	8.5	13.6
Net increase/(decrease) in cash and cash equivalents	375.0	559.1	2,414.2	3,495.8	(912.1)

Our business is highly capital-intensive, which exposes us to cash flow risks. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — A deterioration of our cash flow may affect our ability to service our borrowings and our business, financial condition and results of operations" of this offering circular.

Net cash (used in)/generated from operating activities

In 2018, our net cash generated from operating activities was RMB2,779.8 million, which was principally a result of (i) contract liabilities of RMB5,218.9 million which was 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 (ii) an increase of trade and other payables of RMB2,166.5 million as a result of accrued construction costs, and which were offset by (iii) income tax payments of RMB786.3 million; (iv) increase of interest payment to RMB1,011.2 million; (v) increase in trade and other receivables and prepayments of RMB1,171.3 million the receivables and prepayments did not relate to accrued construction costs directly; and (vi) increase in properties under development and completed properties held for sale of RMB2,557.9 million for Wujiang Mingfa Jiangwan City, Changsha Mingfa Shopping Mall and Mingfa Xiang Hill Garden.

In 2017, our net cash used in operating activities was RMB3,365.7 million, which was principally attributable to (i) an increase in properties under development and completed properties held for sale of RMB1,858.8 million in connection with Nanjing Mingfa Jinzhai City Square, Nanjing Mingfa New Town Finance Building and Nanjing Dream Garden.; and (ii) an increase in land use rights to RMB3,917.1 million in connection with Taoyuan Mingzhu, Xianghill Bay and land plot 42 in Nanjing, which were offset by (iii) operating cash inflow before working capital of RMB1,785.2 million; and (iv) an increase of trade and other payables of RMB1,072.1 million as a result of accrued construction costs.

In 2016, our net cash used in operating activities was RMB485.7 million which was principally attributable to an increase in properties under development and completed properties held for sale of RMB345.5 million and an increase in land use rights of RMB940.0 million in connection with Shandong Zibo World Trade Centre, Nanjing Mingfa New City Finance Building and Nanjing Mingfa Xiang Hill Garden, which was offset by (i) operating cash inflow before working capital of RMB2,114.8 million; (ii) an increase in trade and other payables of RMB915.2 million as a result of accrued construction costs; and (iii) advanced proceeds received from customers of RMB84.2 million.

Net cash (used in)/generated from investing activities

In 2018, our net cash generated from investing activities was RMB807.5 million, which was principally attributable to the additions of investment properties of RMB669.0 million and acquisition of subsidiaries of RMB209.9 million.

In 2017, our net cash used in investing activities was RMB151.9 million, which was principally attributable to the acquisition of a subsidiary in the amount of RMB91.5 million and advances to a joint venture and associated companies in the amount of RMB428.4 million, which is offset by the disposal of a subsidiary in the amount of RMB55.6.0 million and net cash advances received from other parties in the amount of RMB562.7 million.

In 2016, our net cash used in investing activities was RMB1,725.6 million, which was principally attributable to (i) the acquisition of additional interest in a subsidiary in the amount of RMB568.8 million, and (ii) advances to a joint venture and non-controlled group companies in the amount of RMB1,247.4 million which is offset by the disposal of financial assets in the amount of RMB256.7 million.

Net cash generated from financing activities

In 2018, our net cash generated from financing activities was RMB422.7 million which was principally attributable to (i) drawdown of borrowings of RMB2,665.0 million; (ii) repayment of borrowings of RMB3,391.6 million; and net cash advances received from non-controlled group companies, joint venture, associated companies and related parties of RMB1,288.6 million.

In 2017, our net cash generated in financing activities was RMB4,079.1 million which was principally attributable to (i) drawdown of borrowings of RMB4,078.0 million; (ii) repayment of borrowings of RMB3,023.1 million; (iii) net cash advances received from non-controlled group companies, joint venture, associated companies and related parties of RMB2,348.8 million and (iv) the decrease in the restricted cash of RMB1,008.9 million.

In 2016, our net cash generated in financing activities was RMB916.8 million which was principally attributable to (i) drawdown of borrowings of RMB3,606.0 million; (ii) repayment of borrowings of RMB5,427.3 million, (iii) net cash advances received from non-controlled group companies, joint venture, associated companies and related parties of RMB1,036.9 million and (iv) the decrease in the restricted cash of RMB1,701.2 million.

CONTINGENT LIABILITIES

For properties that are still under construction, we typically provide guarantees to banks in connection with our customers, mortgage loans to finance their purchase of our properties for an amount up to 40% to 70% of the total purchase price. Our guarantees are released upon completion of construction and the delivery of mortgage registration documents to relevant banks after the issuance of building ownership certificates. In our experience, the guarantees are typically released three to six months after delivery of our properties depending on when building ownership certificates are obtained and delivered to the banks. Pursuant to the terms of the guarantees, if the purchasers default on these mortgage loans, we are responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the purchasers to the banks. If we fail to do so, the mortgagee banks may auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. As at 31 December 2016, 2017 and 2018 and 30 June 2018 and 2019, our outstanding guarantees for mortgage loans of the purchasers of our pre- sold properties were RMB5,093.1 million, RMB5,530.1 million, RMB5,448.3 million, RMB5,559.3 million and RMB6,908.1 million respectively.

CONTRACTED OBLIGATIONS

As at 30 June 2019, the contracted capital and equity investment commitments of the Group were RMB9,146.7 million, which were mainly capital commitments for property development and acquisition of project companies.

We had contracted but not provided for commitments for capital and property development expenditure of RMB8,929.5 million, RMB7,397.5 million, RMB7,844.2 million, RMB8,341.2 million and RMB9,146.7 million as at the dates indicated below.

	Year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB million (audited)	RMB million (audited)	RMB million (audited)	RMB million (unaudited)	RMB million (unaudited)
Contracted but not provided for					
Properties being developed by the Group for sale	5,951.5	4,529.7	5,055.6	5,664.1	6,422.4
Land use rights	2,978.0	2,867.8	2,788.6	2,677.1	2,724.3
	8,929.5	7,397.5	7,844.2	8,341.2	9,146.7

We have contracted but not provided for commitments for various equity investments in the amount of nil, RMB130 million, nil, nil and RMB340.8 million as at the dates indicated below.

	Year ended 31 December			For the six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB million (audited)	RMB million (audited)	RMB million (audited)	RMB million (unaudited)	RMB million (unaudited)
Contracted but not provided for					
Acquisition of a subsidiary	—	130	—	—	340.8
	—	130	—	—	340.8

INDEBTEDNESS

Bank and other borrowings

The following table shows our total bank and other borrowings as at the dates indicated:

	Year ended 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB million (audited)	**RMB million (audited)**	**RMB million (audited)**	**RMB million (unaudited)**	**RMB million (unaudited)**
Borrowings included in non-current liabilities					
Bank borrowings — secured.	10,170.3	8,800.7	6,525.8	8,680.0	4,456.5
Bank borrowings — unsecured	—	—	184.9	—	184.9
Other borrowings — secured note. . . .	1,293.7	1,632.0	1,254.9	2,103.3	591.1
Bonds	1,124.8	2,432.6	2,873.9	1,786.5	3,231.1
	12,588.8	12,865.3	10,839.5	12,569.8	8,463.6

The borrowings are repayable as follows:

	Year ended 31 December			For the six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB million (audited)	**RMB million (audited)**	**RMB million (audited)**	**RMB million (unaudited)**	**RMB million (unaudited)**
Within one year	9,148.6	10,254.1	8,729.8	5,258.6	6,939.9
After one year	3,440.2	2,611.1	2,109.7	7,311.2	1,523.6
	12,588.8	12,865.3	10,839.5	12,569.8	8,463.6

Our outstanding bank borrowings and other borrowings amounted to RMB12,588.8 million, RMB12,865.3 million, RMB10,839.5 million, RMB12,569.8 million and RMB8,463.6 million as at 31 December 2016, 2017 and 2018 and 30 June 2018 and 2019, respectively. We used the proceeds from these borrowings mainly to finance our property developments. The increase in our bank borrowings and other borrowings was primarily due to additional bank loans for the new projects and the issuance of senior notes referred to below.

Our secured bank borrowings are secured by one or a combination of the following: completed properties held for sales, property, plant and equipment, properties under development, land use rights, investment properties, and restricted cash. As at 30 June 2019, completed properties held for sale of approximately RMB2,439.7 million, property, plant and equipment of approximately of RMB205.7 million, properties under development of approximately RMB1,080.4 million, land use rights of approximately RMB2,536.1 million, investment properties with a net book value of approximately RMB2,914.5 million and restricted cash of RMB419.5 million were pledged to secure our bank borrowings.

The table below sets forth the maturity profiles of our bank borrowings and other borrowings included in non-current liabilities as at the dates indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB million (audited)	**RMB million (audited)**	**RMB million (audited)**
Borrowings:			
Between 1 and 2 years	2,219.9	587.8	1,621.3
Between 2 and 5 years	495.7	1,785.7	386.3
Over 5 years	724.6	237.6	102.1
	3,440.2	2,611.1	2,109.7

Our bank borrowings are denominated in RMB and the effective interest rates for the period ended 31 December 2016, 2017 and 2018 were 5.89%, 6.24% and 6.52%, respectively. As of 30 June 2019, we had total bank borrowings in an aggregate amount of RMB8,463.5 million, which comprised RMB6,939.9 million as current liabilities and RMB1,523.7 million as non-current liabilities.

Bonds

We have a class of debt securities outstanding. On 22 December 2016, we issued bonds with an aggregate principal amount of US$60 million, which mature in 2019. On 17 May 2017, we issued bonds with an aggregate principal amount of US$220 million, which will mature in 2020. On 11 January 2018, we issued an aggregate principal amount of US$200 million, which will mature in 2019. On 16 January 2019, we issued an aggregate principal amount of US$200 million, which will mature in 2020. For details, see "Description of Other Material Indebtedness."

Off balance sheet commitments and arrangements

As at 30 June 2019, except for the contingent liabilities described above, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders equity, or that are not reflected in our consolidated financial statements.

We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

MARKET RISKS

We are exposed to various types of market risks, including credit risk, foreign exchange risk, interest rate risk, liquidity risk, commodities risk and inflation in the normal course of our business.

Interest rate risk

Our interest rate risk relates in part to our pledged bank deposits, bank deposits and borrowings. As at 31 December 2016, 2017 and 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.

In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations.

Fluctuations in interest rates may also affect our prospective customers, ability and cost to obtain financing and affect overall housing demand in China. The PBOC raised the benchmark one-year bank lending rate in China (which directly affects interest rates on loans to property developers as well as the property mortgage rates offered by commercial banks in the PRC) to 6.06% in February 2011, to 6.31% in April 2011 and to 6.56% in July 2011 although the PBOC lowered the bench mark one-year interest rate by 25 basis points in each of June and July 2012. The PBOC lowered the one year benchmark lending rate one time in 2014 and five times in 2015. The one-year benchmark lending rate is 4.35% with effect from October 2015. The PBOC lowered the one-year loan benchmark lending rate to 4.2% in September 2019 and further down to 4.15% in November 2019.

Liquidity risk

The capital-intensive nature of our business exposes us to liquidity risk. We are exposed to liquidity risk if we are unable to raise sufficient funds to meet our financial commitments when they fall due. To manage liquidity risk, we monitor and maintain a level of cash and cash equivalents considered adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flow. In doing so, our management monitors our liquidity and our utilisation of borrowings to ensure adequate undrawn banking facilities and compliance with loan covenants.

Credit risk

Our principal financial assets are trade and other receivables and bank balances, which represent our maximum exposure to credit risk in relation to financial assets. Our credit risk is primarily attributable to trade receivables. In order to minimise credit risk, our management continuously monitors the level of our exposure to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for unrecoverable amounts. We believe our credit risk is reduced by such measure. We believe our credit risk on bank deposits and bank balances is limited because a majority of the counterparties are PRC state-owned banks with good reputations and credit ratings.

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; 31 December 2016: Renminbi, Hong Kong dollars and US dollars accounted for 91.3%, 0.4% and 8.3% 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; 31 December 2016: Renminbi, Hong Kong dollars, US dollars and New Taiwan dollars accounted for 61.6%, 9.4%, 28.5% and 0.5% 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 2016, 2017 and 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 2016, 2017 and 2018 as the hedging list was comparable to the corresponding risk.

Commodities risk

We are exposed to fluctuations in the prices of raw materials for our property development, primarily steel and cement. We purchase most of our supplies of steel and cement at market prices. We have not engaged in any hedging activities relating to such materials. Purchasing costs of steel and cement are generally accounted for as part of the construction contractor fees pursuant to our arrangements with the relevant construction contractors. Accordingly, rising prices for construction materials will affect our construction costs in the form of increased fee quotes by our construction contractors. As a result, fluctuations in the prices of our construction materials have a significant impact on our business, financial condition and results of operations.

Inflation

China has not experienced significant inflation or deflation in recent years. According to the National Bureau of Statistics of China, China's national inflation rate, as measured by the general consumer price index, was approximately 2.0%, 1.6% and 2.1% in the year ended 31 December 2016, 2017 and 2018. Inflation is a factor that would affect construction costs and interest rates, and deflation would become a disincentive for prospective buyers to make a purchase.

Certain facts, statistics and data presented in this section have been derived, in part, from various official government publications. Such facts and statistics have not been independently verified by our Company, the Placing Agent or their respective affiliates, or advisers. The information may not be consistent with other information compiled within or outside the PRC.

THE ECONOMY OF THE PRC

Over the last 40 years, the PRC government has introduced reforms that have transformed the PRC economy from a centrally planned system into a more liberalized market economy. The significant economic development that has resulted from such reforms has been accelerated by China's accession to the World Trade Organisation in 2001. China has experienced average annual nominal GDP growth rate of approximately 11.1% from 2009 to 2018.

The table below sets forth selected PRC economic statistics for the years indicated:

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009–2018 CAGR
Real GDP growth (%)	9.4	10.6	9.5	7.9	7.8	7.3	6.9	6.7	6.8	6.6	N/A
GDP per capita (RMB)	26,180	30,808	36,302	39,874	43,684	47,005	50,028	53,680	59,201	64,644	10.6%
CPI growth (%)	(0.7)	3.3	5.4	2.6	2.6	2	1.4	2	1.6	2.1	N/A
Urban population (million)	645.1	669.8	690.8	711.8	731.1	749.2	771.2	793.0	813.5	831.4	2.9%
Urbanization(1) (%)	48.3	49.9	51.3	52.6	53.7	54.8	56.1	57.3	58.5	59.6	N/A
Per capita disposable income (RMB)	17,175	19,109	21,810	24,565	26,467	28,844	31,195	33,616	36,396	39,251	9.6%
Real estate investment (RMB billion)	3,623	4,827	6,174	7,180	8,601	9,504	9,598	10,258	10,980	12,026	14.3%

Source: National Bureau of Statistics of China, 2009–2018

Note:
(1) Urbanization denotes the proportion of the total population residing in urban areas.

Housing reforms, together with the economic growth of China, emergence of the mortgage lending market and increasing urbanization rate, are key factors affecting the real estate market in China and its growth. These and other government housing reform measures will continue to encourage private housing ownership in China. According to the National Bureau of Statistics of China, China's urbanization rate rose from approximately 29% in 1995 to approximately 60% in 2018. Increases in the urban population of China will likely result in increases in demand for residential properties.

PRC PROPERTY MARKETS

Reform of the PRC property market did not commence until the 1990s. Prior to such reform, the PRC real estate development industry was part of the nation's centrally planned economy. In the 1990s, the PRC government initiated the housing reform and, as a result, the real estate and housing sector of China began its transition to a market-based system.

In 1988, the PRC government amended the national constitution to permit the transfer of state-owned land use rights and, in 1992, sales of formerly public housing commenced in major cities. Two years later, in 1994, the PRC government implemented further reforms and established an employer/employee-funded housing fund and issued a regulation regarding pre-sale of commodity housing in cities. In 1995, the PRC government issued regulations regarding the transfer of real estate, established a regulatory framework for real estate sales and subsequently abolished the state-allocated housing policy in 1998. In 1999, the PRC government extended the maximum mortgage term to 30 years and formalized procedures for the sale of real estate in the secondary market.

The PRC government issued regulations to standardize the quality of construction projects in 2000, establishing a framework for administering construction quality. In 2002, the PRC government promulgated rules to require that state-owned land use rights be granted by way of tender, auction and listing-for-sale and eliminated the dual system for domestic and overseas home buyers in China. In 2003, the PRC government promulgated rules to require more stringent administration of real estate financing for the purpose of reducing credit and systemic risks associated with such financing.

From 2004 to the first half of 2008, in order to prevent the overheating of the PRC economy and to achieve balanced and sustainable economic growth, the PRC government took measures to control money supply, credit availability and fixed assets investment. The PRC government also took measures to discourage speculation in the residential property market and to increase the supply of affordable housing rather than high-end residential properties. In response to concerns over the scale of the increase in property investment, the PRC government introduced policies and measures to restrict such increases.

Beginning in the second half of 2008, in order to mitigate the impact of the global economic slowdown, the PRC government has adopted measures to encourage domestic consumption in the residential property market and support property development. However, beginning in December 2009, the PRC government began to adjust its policies and introduced new measures in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly.

The PRC government now applies various economic, legal and administrative measures to regulate the real estate market, in order to encourage end-user demand while restricting speculation activities, and to better coordinate development between the real estate industry and national economy. See "Regulation".

Commodity Property Sales

Demand for real estate in China has steadily increased over the years. According to the National Bureau of Statistics of China, the total revenue from the sale of commodity properties in China increased from approximately RMB251.3 billion in 1998 to approximately RMB14,977 billion in 2018. During the same period, the total GFA sold in China increased from approximately 121.9 million sq.m. in 1998 to approximately 1,717 million sq.m. in 2018. Of the 1,717 million sq.m. of aggregate GFA sold in 2018, approximately 1,479 million sq.m. were residential properties, representing an increase of approximately 2.2% from 2017.

The average price of commodity properties sold in China increased from RMB5,791.0 per sq.m. in 2012 to RMB8,737 per sq.m. in 2018, while the average price of residential properties sold increased from RMB5,430.0 per sq.m. to RMB8,544 per sq.m. during the same period.

The average price of commodity properties sold in China in 2018 was calculated by dividing total sales proceeds by the total GFA sold.

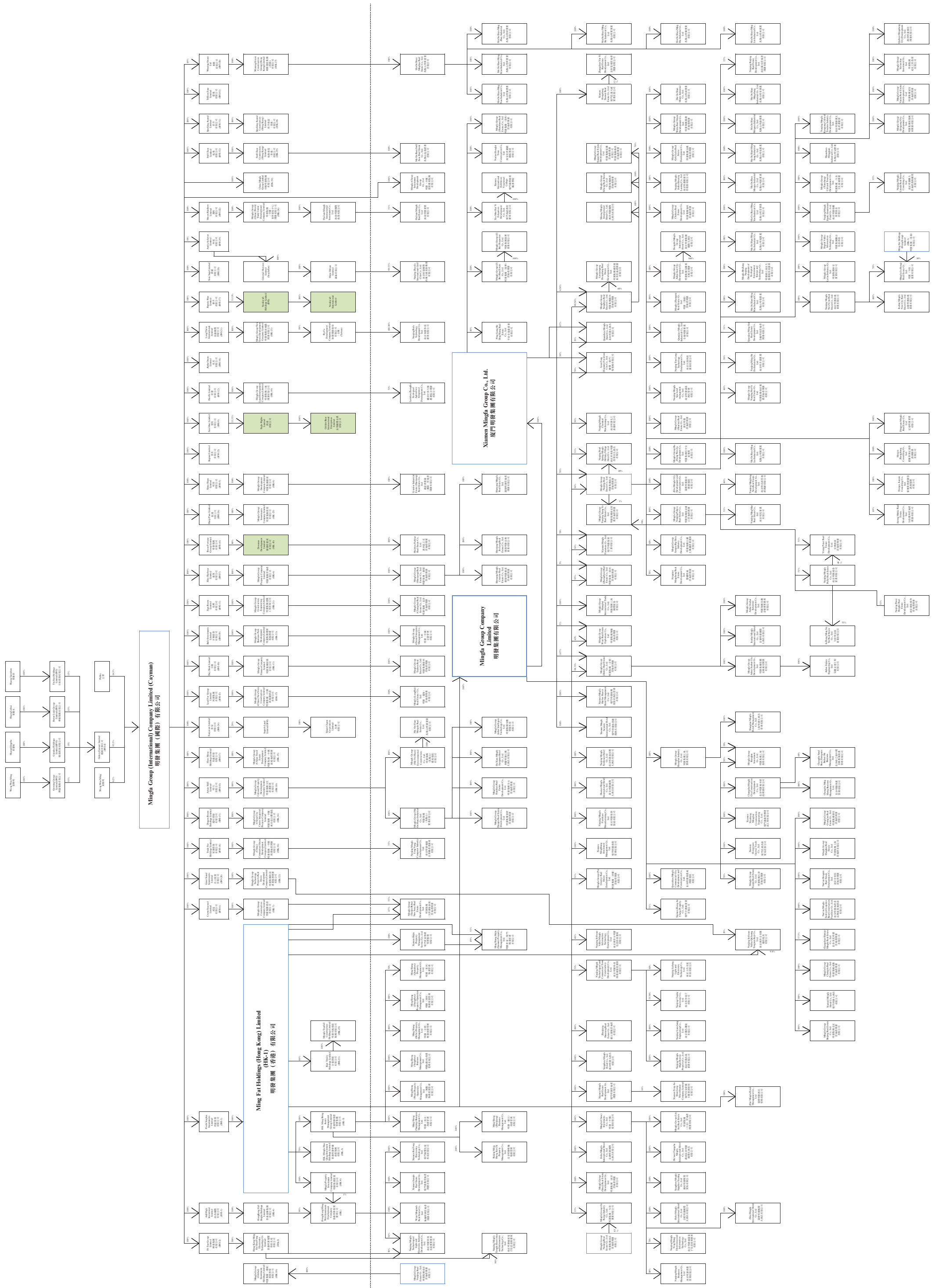
The table below sets out selected statistics relating to the PRC property market for the years indicated.

	2016	2017	2018
Real estate investment (RMB billion)	10,258	10,980	12,026
Total GFA sold (million sq.m.)	1,573	1,694	1,717
GFA of residential properties sold (million sq.m.)	1,375	1,448	1,479
Average price of commodity properties (RMB/sq.m.)	7,476	7,892	8,737
Average price of residential properties (RMB/sq.m.)	7,203	7,614	8,544
Total sales revenue for commodity properties (RMB billion)	11,763	13,370	14,997
Total sales revenue for residential properties (RMB billion)	9,906	11,024	12,639

Source: National Bureau of Statistics of China, 2016–2018

CORPORATE STRUCTURE

The following diagram [(Note 1)] illustrates a summary of our corporate structure, including our operating subsidiaries as of 30 September 2019.



Fit Top Group Limited 輝德集團有限公司
Add High International Limited 添高國際有限公司
Profit Surplus Investments Limited 利盈投資有限公司
Crown Succeed Limited 成冠有限公司
Great Stand Investments Limited 昌立投資有限公司
Trade Far Holdings Limited 貿發控股有限公司
Dragon Boom Holdings Limited 龍旺控股有限公司
Astute Skill Limited 明巧有限公司
Hero Shine Holdings Limited 英盛控股有限公司
Easycrest Limited 易冠有限公司
Lead Far Group Limited 利發集團有限公司
Day Sleek Limited 日順有限公司
Baile Investments Limited 百樂投資有限公司
Sign Boom Limited 兆興有限公司
Elite Harbour Limited 港俊有限公司
Brave Fortune Group Limited 勇發集團有限公司
Sharp Pass Limited 鋭通有限公司
Shiny Hope Limited 明望有限公司
Jingmei Limited 景美有限公司
Jian Mao Limited 建茂有限公司
HaoFa Limited 好發有限公司
Alpha Omen Limited 兆美有限公司
Long Thrive International Limited 長盛國際有限公司
Repute Rise Limited 譽升有限公司
Sino Sage Limited 華穎有限公司
Amity Achiever Limited 和達有限公司
Moon Rainbow Limited 滿虹有限公司
Swift Ease Limited 迅逸有限公司
Sparking Ascend Limited 彩升有限公司
Trillion Ease Limited 億逸有限公司
Winning Orient Ltd 東勝有限公司
Mingfa Group (Global) Investments Holdings Limited 明發集團(環球)投資控股有限公司
Hong Kong Ming Fat Shui Fung Electronics Technology Co. Limited 香港明發瑞豐科技電有限公司
HongKong Full Bright Holdings Limited 香港盈輝集團有限公司
Mingfa Group Construction Company Limited 明發集團建設有限公司
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
Mingfa Group (China) Commercial Estate Development Company Limited 明發集團(中國)商業地產開發有限公司
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
Mingfa Group Cultural Property Development Company Limited 明發集團文化產業發展有限公司
Mingfa Group (China) Travel Estate Development Company Limited 明發集團(中國)旅游地產開發有限公司
Superb Land Limited
Mingfa Group (China) New Town Construction Company Limited 明發集團(中國)新城鎮建設有限公司
Mingfa Group Finance Company Limited 明發集團財務有限公司
Mingfa Group Business Park Development Company Limited 明發集團總部基地開發有限公司
Mingfa Group Construction Engineering Company Limited 明發集團建築工程有限公司
Mingfa Group Property Company Limited 明發集團房地產有限公司
Dowence Development Limited 都運時發展有限公司
Mingfa Group Investments Company Limited 明發集團投資有限公司
Mingfa Group Development Company Limited 明發集團發展有限公司
Eagle Rights Limited 鈞濠有限公司
Mingfa Group Land Development Company Limited 明發集團土地開發有限公司
Mingfa Group New Town Development Company Limited 明發集團新城鎮開發有限公司
Versilcraft Holdings Limited
Celestial Horizon Limited
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
China Mingfa Group Limited 中國明發集團有限公司
Swift Ease Construction (Hong Kong) Limited 迅逸建設(香港)有限公司
Sparking Ascend Construction (Hong Kong) Limited 彩升建設(香港)有限公司
Winning Orient Construction Group (Hong Kong) Limited 東勝建設集團(香港)有限公司
Hong Kong Ming Wah Investment Development Company 香港明華投資發展公司
Mingfa Property Investment Company Limited 明發物業投資有限公司

H.K. Mingfa Hua Qing Investment Holdings Limited 香港明發華慶投資集團有限公司
H.K. Ming Shing Assets Management Group Limited 香港明勝資產管理集團有限公司
Best Trinity Holdings Limited 合盛控股有限公司
Mingfa Truefull Construction Holdings Limited 明發竹風建設集團有限公司
Talent Charm Corporation Limited 傑懋有限公司
Golden Base International Enterprises Limited 金邦國際企業有限公司
Ru Fa Development Company Limited 如發開發股份有限公司(台灣)
Versilcraft International Limited
Shine Deluxe Limited 豪瑞有限公司
Hai'nan Mingfa International Investment Co., Ltd. 海南明發國際投資有限公司
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司
Nanjing Mingfa Technological Light and Electronic Industry Development Co., Ltd. 南京明發科技光電實業發展有限公司
Wuxi Mingwah Real Estate Co., Ltd. 無錫明華房地產開發有限公司
Xiamen Jianqin Real Estate Development Co., Ltd. 廈門建勤房地產開發有限公司
Xiamen Rui Feng Electronics Technology Co., Ltd. 廈門瑞豐光電科技有限公司
Ming Sheng (Nanjing) Business Management Co., Ltd. 明勝(南京)商業管理有限公司
Ming Sheng (Wuxi) Property Operation Management Co., Ltd. 明勝(無錫)物業經營管理有限公司
Ming Sheng (Yangzhou) Business Management Co., Ltd. 明勝(揚州)商業管理有限公司
Ming Sheng (Hefei) Property Management Co., Ltd. 明勝(合肥)物業經營管理有限公司
Ming Sheng (Zhangzhou) Property Operation Management Co., Ltd. 明勝(漳州)物業經營管理有限公司
Ming Sheng (Quanzhou) Property Management Co., Ltd. 明勝(泉州)物業管理有限公司
Xiamen Shijia Property Management Service Co., Ltd. 廈門世家物業管理服務有限公司
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
Nanjing Mingfa Tong Neng Computer Industry Development Co., Ltd. 南京明發通能計算機產業發展有限公司
Mingfa Group (Ma On Shan) Industrial Co., Ltd. 明發集團(馬鞍山)實業有限公司
Mingfa Group (Ma On Shan) Environmental Construction Co., Ltd. 明發集團(馬鞍山)環境建設有限公司
Ma On Shan Mingde Real Estate Co., Ltd. 馬鞍山明德置業有限公司
Mingfa (LongHai) Real Estate Co., Ltd. 明發(龍海)房地產開發有限公司
Mingfa Group Taizhou Real Estate Co., Ltd. 明發集團泰州房地產開發有限公司
Mingfa Group (China) Enterprise Management Co., Ltd. 明發(中國)企業管理有限公司
Mingfa Group (Changsha) Real Estate Co., Ltd. 明發集團(長沙)房地產開發有限公司
Mingfa Group (Shenyang) Real Estate Co., Ltd. 明發集團(瀋陽)房地產開發有限公司
Huizhou Fuzhiye Real Estate Co., Ltd. 惠州富之頁房地產開發有限公司
Creative Industrial Estate (Shenyang) Real Estate Co., Ltd. 創意產業園(瀋陽)房地產開發有限公司
Lanzhou ZhongKe Ecological Agriculture Integrated Development Co., Ltd. 蘭州中科生態農業綜合開發有限公司
Nanjing Rufa Technology Development Co., Ltd. 南京如發科技發展有限公司
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
Hai'nan Mingfa Real Estate Co., Ltd. 海南明發置業有限公司
Mingfa (China) Investment Development Group Co., Ltd. 明發(中國)投資發展集團有限公司
Ma On Shan Swift Ease Real Estate Co., Ltd. 馬鞍山迅逸置業有限公司
Ma On Shan Minghua Real Estate Co., Ltd. 馬鞍山明華置業有限公司
Nanjing Mingfa Tongda Electronics and Information Technology Co., Ltd. 南京明發通達電子信息技術發展有限公司
Beijing Ming Sheng Jun Chi Property Management Co., Ltd. 北京明勝俊馳物業管理有限公司
Ming Sheng (Zhenjiang) Business Management Co., Ltd. 明勝(鎮江)商業管理有限公司
Ming Sheng Shijia (Xiamen) Property Management Co., Ltd. 明勝世家(廈門)物業管理有限公司
Mingfa Group Dangtu Real Estate Development Co., Ltd. 明發集團當塗房地產開發有限公司
Mingfa Group Hanshan Real Estate Development Co., Ltd. 明發集團含山房地產開發有限公司
He Xian Mingfa Jiangwan Hotel Co., Ltd. 和縣明發江灣大酒店有限公司
Mingfa Group Anhui Intelligent Technology Co., Ltd. 明發集團安徽智能科技有限公司
Shenyang Mingfa Creative Real Estate Co., Ltd. 瀋陽明發創意房地產開發有限公司
Shenyang Mingfa Jin Lang Real Estate Co., Ltd. 瀋陽明發金廊置業有限公司
Shenyang Mingfa Real Estate Co., Ltd. 瀋陽明發房地產開發有限公司
Ping Liang Shi Ding Sheng Real Estate Co., Ltd. 平涼市鼎盛置業有限公司
Mingfa Group (Zi Bo) Real Estate Co., Ltd. 明發集團(淄博)房地產開發有限公司
Mingfa Group (Zi Bo) Properties Co., Ltd. 明發集團淄博置業有限公司
Xia Men Hai Yi Education Development Co., Ltd. 廈門海誼教育發展有限公司
Xiamen International Exhibition Vocational College 廈門國際會展職業學院
Nan'an Honglai Town Construction Co., Ltd. 南安市洪籟鎮鎮區建設有限公司
Mingfa Group (Shenzhen) Real Estate Co., Ltd. 明發集團(深圳)房地產開發有限公司
Ma On Shan Ming Nan Industrial Co., Ltd. 馬鞍山明楠實業有限公司
Ma On Shan Ming Kun Industrial Co., Ltd. 馬鞍山明坤實業有限公司

Ma On Shan Ming Zhao Industrial Co., Ltd. 馬鞍山明昭實業有限公司
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司
Mingfa Group (Ju Rong) Industry Co., Ltd. 明發集團(句容)實業有限公司
Mingfa Group (Xinyi) Real Estate Development Co., Ltd. 明發集團(新沂)房地產開發有限公司
Jinhu Mingfa International Hotel Co., Ltd. 金湖明發國際大酒店有限公司
Mingfa (China) Investments Co., Ltd. 明發(中國)投資有限公司
Xiamen Mingfa Real Estate Development Co., Ltd. 廈門明發房地產開發有限公司
Yangzhou Mingfa Hotel Co., Ltd. 揚州明發大酒店有限公司
Zhenjiang Hanxiang Real Estate Co., Ltd. 鎮江漢翔房地產有限公司
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
Nanjing Software Valley Mingfa Information Technology Development Co., Ltd. 南京軟件谷明發信息科技發展有限公司
Mingfa Group (Pei County) Real Estate Development Co., Ltd. 明發集團(沛縣)房地產開發有限公司
Xiamen MingSheng Investment Management Co., Ltd. 廈門明勝投資管理有限公司
Nanjing Mingfa Furniture Manufacturing Co., Ltd. 南京明發家俱製造有限公司
Huaian Mingfa International Hotel Co., Ltd. 淮安明發國際大酒店有限公司
Nanjing Mingfa Xinhewan Hotel Co., Ltd. 南京明發新河灣大酒店有限公司
Xiamen Mingfa Seaview International Hotel Co., Ltd. 廈門明發海景國際酒店有限公司
Xiamen Mingfa Harbor Resort Hotel Management Co., Ltd. 廈門明發海灣度假村酒店管理有限公司
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團(合肥)房地產開發有限公司
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. 明發集團無錫房地產開發有限公司
Mingfa Group Shanghai International Trade Co., Ltd. 明發集團上海國際貿易有限公司
Mingfa Group (Zhangzhou) Real Estate Co., Ltd. 明發集團(漳州)房地產開發有限公司
Xiamen Mingfa Furniture Co., Ltd. 廈門明發家具工業有限公司
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
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司
Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd. 南京珍珠泉明發度假村大酒店有限公司
Nanjing Mingfa Chemical Warehousing Co., Ltd. 南京明發化工倉儲有限公司
Leun Fung (Xiamen) Furniture City Co., Ltd. 聯豐(廈門)家具城有限公司
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司
Mingfa Group Yangzhou Real Estate Co., Ltd. 明發集團揚州房地產開發有限公司
Mingfa Group Lianyungang Dongsheng Real Estate Development Co., Ltd. 明發集團連雲港東升房地產開發有限公司
Xihong Mingfa International Hotel Co., Ltd. 泗洪明發國際大酒店有限公司
Mingfa Group Sihong Real Estate Co., Ltd. 明發集團泗洪房地產開發有限公司
Mingfa Group Suqian Real Estate Development Co., Ltd. 明發集團宿遷房地產開發有限公司
Xiamen Hongsheng Tianwei Real Estate Co., Ltd. 廈門弘盛天威置業有限公司
Zhangchun Yue Yi Real Estate Development Co., Ltd. 長春悅翊房地產開發有限公司
Ma On Shan Ming Shi Industrial Co., Ltd. 馬鞍山明實實業有限公司
Nanjing Mingfa Business Management Co., Ltd. 南京明發商業管理有限公司
Nanjing Mingfa Tong Shing Electronics and Information Technology Co., Ltd. 南京明發通盛電子信息技術發展有限公司
Hefei Mingfa International Hotel Co., Ltd. 合肥明發國際大酒店有限公司
Yangzhou Mingfa Supplies Trading Co., Ltd. 揚州明發物資貿易有限公司
Hu'nan Changsha Mingfa International Hotel Co., Ltd. 湖南長沙明發國際大酒店有限公司
Mingfa Group (Liu An) Real Estate Co., Ltd. 明發集團(六安)房地產開發有限公司
Xiamen Tong An Shun Long Microfinance Company Limited 廈門同安舜隆小額貸款股份有限公司
Nanjing Mingfa High District Property Co., Ltd. 南京明發高區置業有限公司
Nanjing Lianchang Engineering Co., Ltd. 南京聯昌機電有限公司
Nanjing Chunhe Electronic Co., Ltd. 南京春和電子有限公司
Nanjing Lichang Light and Electronic Technology Co., Ltd. 南京立昌光電科技有限公司
Xiamen Zhong Ao Cheng Property Co., Ltd. 廈門中澳城置業有限公司
Quanzhou Mingfa Commercial City Development and Construction Co., Ltd. 泉州明發商業城開發建設有限公司
Mingfa Group Shanghai Industry Co., Ltd. 明發集團上海實業有限公司
Fengxian Mingcheng Real Estate Development Co., Ltd. 豐縣明城房地產開發有限公司
Mingfa Group Jiangsu Big Data Industry Development Co., Ltd. 明發集團江蘇大數據產業發展有限公司
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
Zibo Mingfa City Development and Construction Co., Ltd. 淄博明發城市開發建設有限公司
Mingfa Group Ba Zhong Wen Lu Development Co., Ltd. 明發集團巴中文旅發展有限公司
Mingfa Group (Huai'an) Real Estate Co., Ltd. 淮安明發房地產開發有限公司
Nanjing Mingfa Spa hotel management Co., Ltd. 南京明發溫泉酒店管理有限公司
Nanjing Tian Lang Technology Development Co., Ltd. 南京天朗科技發展有限公司
Quanjiao Mingfa Industrial Co., Ltd. 全椒明發實業有限公司

Mingfa (Zhangpu) Real Estate Co., Ltd. 明發(漳浦)房地產開發有限公司
Mingfa Group Anhui East City Development Co., Ltd. 明發集團安徽東至城市開發有限公司
Dongzhi Mingfa Group International Hotel Co., Ltd. 東至明發集團國際大酒店有限公司
Mingfa Group Chizhou Real Estate Development Co., Ltd. 明發集團池州房地產開發有限公司
Nanjing Mingfa Jinlin Housing Leasing Co., Ltd. 南京明發錦霖住房租賃有限公司
Mingfa Group Gold Lake Real Estate Development Co., Ltd. 明發集團金湖房地產開發有限公司
Mingfa Group Wuhu Real Estate Development Co., Ltd. 明發集團蕪湖房地產開發有限公司
Ma On Shan Minpo Industrial Co., Ltd. 馬鞍山明浦實業有限公司
Ma On Shan Ming Shu Industrial Co., Ltd. 馬鞍山明樹實業有限公司
Zibo Mingfa International Hotel Co., Ltd. 淄博明發國際大酒店有限公司
Zibo Mingfa Hotel Management Co., Ltd. 淄博明發酒店管理有限公司
Nanjing Software Valley Qichuang Tongxun Keji Co., Ltd. 南京軟件穀奇創通訊剋及有限公司
Mingfa Group Tianjin Real Estate Co., Ltd. 明發集團天津房地產開發有限公司
Xiamen Hongyuan Gaotai Trade Co., Ltd. 廈門弘源高泰貿易有限公司
Xiamen Xinsheng Minghui Construction Engineering Co., Ltd. 廈門鑫盛明輝建設工程有限公司
Changsha Mingfa City Construction Development Co., Ltd. 長沙明發城市建設開發有限公司
Mingfa Group Shanghai Investment Co., Ltd. 明發集團上海投資有限公司
Shanghai Mingfa Hotel Management Co., Ltd. 上海明發大酒店管理有限公司
Mingfa Group Anhui Jinzhai City Development Co., Ltd. 明發集團安徽金寨城市開發有限公司
Jinzhai Mingfa International Hotel Co., Ltd. 金寨明發國際大酒店有限公司
Mingfa Group Anhui Jinzhai Industrial Development Co., Ltd. 明發集團安徽金寨實業發展有限公司
Nanjing MingMao Real Estate Co., Ltd. 南京明茂置業有限公司
Nanjing Minghong New Real Estate Development Co., Ltd. 南京明弘新房地產開發有限公司
Ma On Shan Ming Lai Industrial Co., Ltd. 馬鞍山明萊實業有限公司
Mingfa Group Nanjing Rui Ye Real Estate Co., Ltd. 明發集團南京瑞業房地產開發有限公司
Nanjing Ming He De Industrial Co., Ltd. 南京明禾德實業有限公司
Quanjiao Ming Gui Real Estate Development Co., Ltd. 全椒明桂房地產開發有限公司
Ma On Shan Ming Man Industrial Co., Ltd. 馬鞍山明曼實業有限公司
Mingfa BinJiang Nanjing Development of Ecological Environment Science and Technology Co., Ltd. 明發濱江南京生態環境科技發展有限公司
Ma On Shan Ming Xu Industrial Co., Ltd. 馬鞍山明旭實業有限公司
Ma On Shan Ming Yun Industrial Co., Ltd. 馬鞍山明雲實業有限公司
Ma On Shan Minguo Industrial Co., Ltd. 馬鞍山明諾實業有限公司
Ma On Shan Ming Song Industrial Co., Ltd. 馬鞍山明松實業有限公司
Ma On Shan Mingsen Industrial Co., Ltd. 馬鞍山明森實業有限公司
Ma On Shan Mingzhang Industrial Co., Ltd. 馬鞍山明章實業有限公司
Nanjing Ruijing Real Estate Development Co., Ltd. 南京鋭昱房地產開發有限公司
Ma On Shan Ming Lin Industrial Co., Ltd. 馬鞍山明林實業有限公司
Mingfa Group Beijing Real Estate Co., Ltd. 明發集團北京房地產開發有限公司
Xiamen Mingfa Hotel Co., Ltd. 廈門明發大酒店有限公司
Mingfa Group Chengdu Real Estate Co., Ltd. 明發集團成都房地產開發有限公司
Changchun Shimao Mingfa Real Estate Co., Ltd. 長春世茂明發房地產開發有限公司
Nan'an Mingfa Seafood Logistics Base Construction Facilities Co., Ltd. 南安明發海產食品物流基地建設有限公司
Nan'an Hengxin Real Estate Development Co., Ltd. 南安市恒信房地產開發有限公司
Mingfa Group Shanghai Real Estate Co., Ltd. 明發集團上海房地產有限公司
Mingfa Group Guang'an Real Estate Co., Ltd. 明發集團廣安房地產開發有限公司
Changsha Ming Sheng Business Management Co., Ltd. 長沙明勝商業管理有限公司
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
Anhui Jinjian Engineering Co., Ltd. 安徽金建工程有限公司
Ju Rong Ming Jin Tai Real Estate Co., Ltd. 句容明金泰置業有限公司
Nanjing Mingfa PuTai Real Estate Co., Ltd. 南京明發浦泰置業有限公司
Yixing Putai Real Estate Development Co., Ltd. 宜興浦泰房地產開發有限公司
Nanjing Mingfa New Town Real Estate Co., Ltd. 南京明發新城置業有限公司
Mingfa Group Lai'an Industry Co., Ltd. 明發集團來安實業有限公司
Mingfa Group Digital Valley Information Technology Co., Ltd. 明發集團數穀信息科技有限公司
Nanjing Mingfa Equity Investment Fund Co., Ltd. 南京明發股權投資基金有限公司
Mingfa Group (Tianchang) Cultural Tourism Development Co., Ltd. 明發集團(天長)文化旅游開發有限公司
Maanshan Mingguan Industrial Co., Ltd. 馬鞍山明冠實業有限公司
Nanjing Mingfa Kangyang Cultural Tourism Industry Development Co., Ltd. 南京明發康養文旅產業發展有限公司
Nanjing Putai Honghe Real Estate Development Co., Ltd. 南京浦泰鴻和房地產開發有限公司
Jurong Minke Real Estate Development Co., Ltd. 句容閩科房地產開發有限公司

Horgos Jianxin Consulting Co., Ltd. 霍爾果斯建捷信諮詢服務有限公司
Horgos Zhengzheng Consulting Co., Ltd. 霍爾果斯正振祥諮詢服務有限公司
Dingyuan Mingfa Real Estate Co., Ltd. 定遠明發置業有限公司
Jinzhai Mingfa New City Real Estate Co., Ltd. 金寨明發新城置業有限公司
Mingfa (Ju Rong) Real Estate Co., Ltd. 明發(句容)置業有限公司
Ming Fat Holdings (Hong Kong) Limited 明發集團(香港)有限公司
Nanjing Mingfa Lianda Real Estate Consulting Co., Ltd. 南京明發聯大房地產諮詢顧問有限公司
Mingfa Group Qingyang City Development Co., Ltd. 明發集團青陽城市開發有限公司
Mingfa Group Yan'an Real Estate Development Co., Ltd. 明發集團延安房地產開發有限公司
Mingfa Group Yan'an Star Investment Co., Ltd. 明發集團延安之星投資有限公司
Quzhou Mingsheng City Development Co., Ltd. 滁州明盛城市開發有限公司

SALES AND EARNINGS

The unaudited consolidated revenue of the Group for the six months ended 30 June 2019 was approximately RMB4,118.9 million, representing a decrease of 36.8% from RMB6,518.0 million as compared to the six months ended 30 June 2018. The reduced revenue was mainly due to the decrease in the GFA delivered to buyers from 734,342 sq.m. in first half of 2018 to 547,359 sq.m. in the first half of 2019.

The unaudited consolidated gross profit of the Group for the six months ended 30 June 2019 was approximately RMB1,269.1 million, representing a drop of 21.6% as compared to the six months ended 30 June 2018 of approximately RMB1,618.6 million. The reason for the decline was mainly due to the decrease in revenue. The profit for the year of the Group decreased by 52.84% from approximately RMB954.0 million in the six months ended 30 June 2018 to approximately RMB449.9 million in the six months ended 30 June 2019.

The unaudited consolidated profit attributable to the equity holders of the Company reduced from approximately RMB698.5 million in the six months ended 30 June 2018 to approximately RMB418.3 million in the six months ended 30 June 2019, representing a decrease of approximately RMB280.2 million or 40.1% from that of the six months ended 30 June 2019. The major reason for the decrease was due to less GFA delivered in the six months ended 30 June 2019 as compared to the six months ended 30 June 2018.

The cost of sales of the Group was RMB2,849.8 million for the six months ended 30 June 2019, representing a decrease of 41.8% as compared to the six months ended 30 June 2018 of approximately RMB4,899.4 million). Cost of sales decreased in line with revenue.

The total GFA sold and delivered by the Group in the six months ended 30 June 2019 was approximately 547,359 sq.m., representing a decrease of 25.5% as compared to 734,342 sq.m. in the six months 30 June 2018. Such decrease was due to less properties delivered to the buyers.

During the six months ended 30 June 2019, the average sales price ("ASP") of the Group's properties delivered and recognised as sales was RMB7,047.8 per sq.m., representing a decrease of 17.6% as compared to RMB8,550.4 per sq.m. during the six months ended 30 June 2018. The decrease was mainly due to the delivery of the properties in Wujiang which lowered the ASP as compared to the properties delivered in Nanjing in 2018.

In the first half of 2019, the Group achieved contracted sales of approximately RMB5,317.3 million with GFA of 547,359 sq.m. (first half of 2018: approximately RMB9,605.0 million and 734,342 sq.m. respectively).

Our principal business activities are as follows:

Commercial complexes

Most of our integrated mixed-use commercial complexes are located at strategic locations and form the landmarks of new city centres in high-growth areas in second and third tier cities, with easy access to existing city centres and neighbouring cities. Our commercial complexes increase traffic of the surrounding neighbourhoods and stimulate growth and development of these neighbourhoods. We believe that our focus on such locations allows us to continue to acquire sizeable sites that are suitable for the development of our large-scale commercial complexes at competitive costs.

Our integrated mixed-use commercial complexes typically have total GFAs ranging from approximately 400,000 sq.m. to 700,000 sq.m., and comprise a combination of retail stores, offices, hotels, entertainment centres, residential properties and other ancillary facilities. We sell some of the units in these commercial complexes and retain the remaining units to generate recurring rental income and for long-term capital appreciation, depending on the specific project's cash flow requirement and local market conditions. We had 1,059,308 sq.m. of commercial GFA held for investment as at 30 June 2019. We also seek to establish long-term relationships with leading international and domestic brands for our commercial complexes. To this end, we have entered into strategic collaboration agreements with Suning Appliance, one of the biggest electrical appliance stores in the PRC, and Jin Yi Cinema, respectively, pursuant to which Suning Appliance and Jin Yi Cinema are required to open new stores in every commercial project launched by us in the PRC at rates based on the then prevailing market rates. Both of these contracts will expire in December 2018. In addition, we usually enter into long term arrangements and leases with fixed terms ranging from ten to 20 years with our anchor tenants which include international and domestic brands such as Carrefour, Yong Hui Supermarket, Suning Appliance, B&Q, Xiamen City Zhongmin Baihui Department Store, Letian Supermarket, Hanting Inns & Hotels, Jin Yi Cinema and China Film Group International Cinemas. We believe that securing such long-term anchor tenants enables us to enhance the profile, reputation and attractiveness of our commercial complexes, which in turn will increase their overall commercial values.

Residential properties

Our residential property development projects cover a wide range of products, including high-rise apartment buildings, low-rise apartment buildings and townhouses that meet the housing needs of broad customer segments, from middle-income customers seeking improved living conditions at a reasonable cost to more affluent customers.

Our large-scale mixed-use residential projects typically have total GFAs ranging from 300,000 sq.m. to 3,700,000 sq.m. and are either strategically situated in city centres with convenient transportation, or developed as part of our large scale mixed-use residential complexes. These residential projects usually consist of a mid-sized commercial mall or a cluster of commercial units which are surrounded by high rise apartment buildings and townhouses. Our projects also typically include ancillary facilities, such as clubhouses, retail spaces, schools and hospitals. We believe that we are able to derive substantial synergies from our integrated mixed-use project developments as the businesses within these developments provide essential products and services to the residents, whose patronage of the surrounding businesses bring significant foot traffic to our commercial complexes. We believe our integrated mixed-use properties form the cornerstones of new city centres in these regions, attract new businesses to the areas and lead to strong market demand and capital gains potential for our properties.

We usually develop our residential projects in phases over a period of two to six years. Pre-sales of residential properties during the development process allow us to recover our initial investment before the completion of these projects and reduce our working capital needs and funding risks for the projects.

Logistics centres and R&D centres

Our logistics centres and R&D centres are located in new economic zones of high-growth second and third tier cities. Our logistics centres meet the needs of domestic enterprises in industries such as construction materials, metals, chemicals, leather, textiles and electronics. These centres consist of various types of facilities, including exhibition halls, warehouses, data centres and research facilities and provide a variety of ancillary services. We engage third-party property management companies to manage daily operations of these centres and lease these properties to generate rental income.

Hotels

As at 30 June 2019, we owned eleven completed hotels with a total of 2,388 rooms and total GFA of 250,000 sq.m. in Nanjing, Xiamen, Hefei, Yangzhou, Zhangzhou, Ma'anshan and Jinzhai. In addition, we have six hotels that are under development various cities in Fujian, Shandong and Anhui provinces. We have entered into partnerships with various domestic and international hotel management groups to manage daily operations of our hotels and intend to enter into similar arrangements for our future hotels.

As part of our business strategy, we aim to hold a portion of the commercial properties for investment purposes, depending on the Company's and project's cash flow. We view this as a source of recurring rental income and future capital appreciation potential. Currently, our investment property portfolio comprises integrated mixed-use commercial complexes, R&D centres, and hotels. This allows us to diversify risks and improve our revenue stability, thereby reducing our exposure to volatility within any particular property segment and enhancing our long-term financial performance.

Projects

As at 30 June 2019, the Group entered into 10 uncompleted memoranda of understanding (the "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 2013. 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 is in the interest and to the benefit of the Group in the long run. As at 30 June 2019, the total GFA of these MOUs and the related projects was approximately 19.6 million sq.m. See "Business — Memoranda of Understanding with Government Bodies."

OUR COMPETITIVE STRENGTHS

Proven track record and strong execution capabilities in developing and managing integrated mixed-use commercial complexes and large-scale mixed-use residential properties

We have a proven track record in developing a wide range of property products and managing a well-diversified property portfolio. In particular, we have built up strong execution capabilities in developing integrated mixed-use commercial complexes and large-scale mixed-use residential properties, which provide us with multiple revenue sources and lower the risk of over-reliance on a particular property segment.

Our integrated mixed-use commercial complexes typically comprise a combination of retail stores, offices, hotels, entertainment centres, residential properties and other ancillary facilities and serve as landmarks of new city centres in their respective cities. We seek to distinguish ourselves by focusing on the large size of our commercial complexes which allows us to enjoy economies of scale in the form of lower land costs and favourable government subsidies, and to facilitate the transformation of our commercial complexes into future city centres by attracting a critical mass of customers and tenants.

Our large-scale mixed-use residential properties are primarily targeted at middle-income consumers seeking an improved living environment at a reasonable cost. We believe that our focus on this customer segment, particularly in second tier and third tier cities, has allowed us to capitalise on the stable growth in prices of and the strong demand for the residential properties desired by this group of customers. The value proposition of these residential properties is further enhanced by their proximity and access to convenient transportation, as they are typically located near local city centres or are developed as part of, our integrated mixed-use commercial complexes.

Balanced, efficient and business model

We have leading position in two strategic regions, namely the Western Straits Economic Zone and the Greater Yangtze River Delta. We continue to explore development opportunities in fast growing second tier or third tier cities in those regions, and engage in selective expansion in the North-eastern China. We believe these targeted regions offer superior growth opportunities in their respective property markets given their high economic growth, rapid urbanisation and significant property appreciation potential.

We believe our integrated mixed-use project development strategy leads to substantial synergies as the development of commercial malls adjacent to our residential properties will provide staple services to residents of our properties as well as to neighbouring communities while owners of our residential units not only bring significant foot traffic to our commercial complexes, but are also target customers of our commercial units for sale. We believe our integrated properties form the cornerstones of new city centres in these regions, attract new businesses to the area and lead to strong market demand and capital gains potential for our properties.

As part of our business strategy, we aim to hold a portion of the commercial properties for investment purposes, depending on the Company's and project's cashflow. We view this as a source of recurring rental income and future capital appreciation potential. Currently, our investment property portfolio comprise integrated mixed-use commercial complexes, R&D centres, and hotels. This allows us to diversify risks and improve our revenue stability, thereby reducing our exposure to volatility within any particular property segment and enhancing our long-term financial performance.

We also work closely with local governments to integrate our developments into their future city development plans which allows us to acquire high-quality project sites at competitive prices and obtain favourable government policies and subsidies for our projects.

Through our standardised development model, we are able to enjoy economies of scale in the form of shorter development cycles and achieve competitive land and construction costs.

Sizeable, diversified and high-quality land bank acquired at competitive costs

We believe a high-quality land bank acquired at competitive costs is crucial to our long-term growth and profitability and, accordingly, we adopt a forward-looking and systematic approach in our land acquisitions. Through the in-depth industry experience of our senior management and their insights into development trends in the regions where we operate, we endeavour to acquire, at competitive cost, project sites in areas which we believe have good potential to become new city centres. We strategically select land bank in areas where there are significant economic growth potential in order to capitalize on key future infrastructure. We believe our strong brand name and proven track record of aligning our development plans with those of the local urban planning authorities have provided us with a competitive advantage and stronger bargaining power as compared to our competitors when acquiring such project sites. As such, we have often been invited by local authorities to participate in land planning and development processes by entering into MOU with various PRC Governmental bodies, through which we have successfully acquired several of our high-quality land parcels at competitive costs. For the six months ended 30 June 2019, our average selling price was RMB7,047.8 per sq.m. and our average land cost was RMB629.8 per sq.m., accounting for approximately 8.9% of our average selling price which provides us a buffer against price fluctuations.

Our land bank is well diversified and balanced in terms of product types to cater to different market segments. As at 30 June 2019, our total attributable land bank was approximately 21.3 million sq.m. and we plan to use such land for the development of commercial complexes, residential properties, logistics centres, R&D centres and hotels. As of 30 June 2019, the Group had entered into 10 MOUs with various local governmental bodies of the PRC, which covers a total GFA of approximately 19.6 million We believe that the size of our current land bank is sufficient for our development needs for the next four to five years and our strategic site locations provide significant profit potential. See "Business — Summary of Our Land Bank."

Leading position in the Western Straits Economic Zone and Greater Yangtze River Delta

We have successfully established ourselves as a leading property developer in Fujian and Jiangsu provinces, which are among the most developed and fastest growing provinces in the Western Straits Economic Zone in Southeast China and in the Greater Yangtze River Delta, respectively. As at 30 June 2019, our attributable land bank comprised approximately 21.3 million sq.m. in total, with 5.6 million sq.m. in Jiangsu province, 0.3 million sq.m. in Anhui province, 2.4 million sq.m. in Fujian province, 1.3 million in Liaoning province, 7.6 million sq.m. in first-tier cities and 4.1 million in other provinces.

We believe our strategic geographic focus in these three regions has enabled us to capitalise on opportunities resulting from the strong historical economic development and significant market demand in the local real estate markets. Through our in-depth local knowledge and operating expertise, we believe we have been able to consistently deliver quality properties and our projects in Fujian (particularly Xiamen) and Jiangsu (particularly Nanjing) provinces have generated attractive investment returns and allowed us to establish a proven track record and brand name in those regions. We aim to leverage our success in those cities to expand into the surrounding cities in the regions, and strategically expand into other areas in China.

Efficient management structure, experienced management team and professional workforce

We have a centralized management structure to monitor the performance of each project company. We believe that such a structure allows efficient supervision by our senior management and helps to enhance our operational efficiency and resource optimisation.

Our senior management team is highly experienced and has extensive industry knowledge, management skills and operating experience in the PRC real estate industry. Our team is led by our founder and Chairman, Mr. Wong Wun Ming, who has more than 20 years of experience in real estate development in the PRC and is particularly knowledgeable on factors affecting the growth of China economy and market dynamics that affect PRC real estate industry. Most members of our senior management team have over 20 years of experience in the PRC real estate industry.

Our workforce comprises employees who are highly experienced in their respective areas of expertise, such as site selection and acquisition, project development, finance, as well as sales and marketing. We implement a comprehensive human resources strategy aimed at recruiting, developing and retaining a highly qualified workforce to support our long-term growth. We also invest in continuing education and training programmes for our management staff and other employees to continuously upgrade their skills and knowledge. We believe the professionalism and execution capabilities of our workforce have been key factors to our success and will continue to be one of our competitive strengths.

Strong brand recognition

We place great emphasis on building strong brand recognition in the regions in which we operate and have successfully established a strong reputation for designing and developing distinctive and quality products. See "Business — Awards and Recognitions" for a list of our awards, certificates and recognitions.

OUR STRATEGIES

Strategic focus on second tier and third tier cities through our "selected regional focus" growth strategy

With our proven track record, we intend to leverage our leading position in our two strategic regions, namely the Western Straits Economic Zone and Greater Yangtze River Delta to further explore development opportunities in the fast growing second tier or third tier in those regions, and selectively expand into the North-eastern China.

We believe that there will be increasing growth opportunities in the property markets in these regions, given their rapid urbanisation, high economic growth and significant property appreciation potential.

We will also continue to explore business opportunities in other regions of the PRC. We are constantly monitoring the PRC real estate market and looking for strategic expansion targets which are in line with our business model. We will continue to implement our "selected regional focus" growth strategy by first securing leading positions in key cities and then leveraging our success in those cities to gradually expand into surrounding cities.

Maintain our low land costs strategy by acquiring new high-quality sites at strategic locations at competitive costs

We will continue to grow our land bank by strategically acquiring high-quality sites at newly urbanised and high growth areas of second and third tier cities where supply of real estate is limited and are suitable for development of our large-scale integrated commercial and residential properties. We conduct market research and analysis were conducted by our experienced land acquisition team and independent third party service providers.

We intend to continue to capitalise on our strong track record, extensive operational experience, strong capabilities and government relationships to acquire more high-quality project sites at competitive prices. We will also continue to liaise and assist local government authorities in their future city development plans, which will provide us with a competitive advantage and stronger bargaining power over our competitors when acquiring new sites.

Continue to focus on the development of integrated mixed-use commercial complexes and large-scale mixed-use residential properties

We will continue to develop integrated mixed-use commercial complexes and large-scale mixed-use residential properties. We believe there are substantial synergies by adopting this integrated mixed-use project development strategy as the development of commercial malls adjacent to our residential properties will provide staple services to residents of our properties as well as to neighbouring communities. Owners of our residential units not only bring significant foot traffic to our commercial complexes, but are also target customers of our commercial units for sale. We believe our integrated properties form the cornerstones of new city centres in these regions, attract new businesses to the area and provide strong market demand for our properties.

Prudent expansion of our investment property portfolio to reduce fluctuations in our income streams

We have accumulated over 15 years of experience in managing commercial properties. As of 30 June 2019, we have a total GFA of 1,059,308 sq.m. of properties held for investment. We intend to prudently expand our investment property portfolio, which comprises integrated mixed-use commercial complexes, R&D centres, and hotels for long-term investment purposes with the intention to diversify risks by reducing fluctuations in our revenue stream by way of recurring rental income and capital appreciation. This would reduce our exposure to volatility within any particular property segment, and therefore enhance our long-term financial performance.

Continue to maintain optimal capital structure

We plan to actively manage our capital structure to support our business expansion. We believe that by maintaining a low gearing ratio, we would be able to achieve sustainable and prudent growth over the long term. We intend to continue to actively manage our property development process to ensure strict cost control, and sales and pre-sales to ensure adequate internal cash for our ongoing capital requirements.

Aside from cash generated from our pre-sales and sales, we will continue to explore other diversified funding channels as our business grows, thereby increasing liquidity and optimizing our financial structure. We completed a successful initial public offering in Hong Kong in November 2009 and raised approximately US$275.8 million. In 2010 and 2011, we obtained a total of US$400 million through the placement of convertible bonds, of which US$200 million was from Warburg Pincus, a world leading private equity firm.

CORPORATE HISTORY

1994	Founded in Xiamen, Fujian, originally focused on residential, industrial parks and hotels
2002	Expanded into Jiangsu by leveraging Mingfa's well-recognised brand
2002	Commenced construction of Xiamen Mingfa Noble Place, the first large-scale residential property in Xiamen
2003	Commenced construction of our first property in Jiangsu, Nanjing Mingfa Riverside New Town, one of the largest projects in Jiangsu
2005	Commenced construction of Xiamen Mingfa Shopping Mall, our landmark commercial
2007	Commenced construction of Nanjing Mingfa Shopping Mall
2007	Commenced construction of Hefei Mingfa Shopping Mall
2008	Commenced construction of Yangzhou commercial plaza
2009	Listed on the HKSE (Stock Code: 0846)
2009	Expanded our geographical reach by acquiring properties in Taizhou and Changsha, Hunan province
2010	Strategic investment from Warburg Pincus
2010	Commenced construction of Zhenjiang Jinxiu Yinshan
2011	Further diversified our land bank by acquiring properties in Beijing and Shanghai
2011	Acquisition of a 80% equity interest in a project company in Huizhou, Guangdong
2012	Entered into agreement to dispose of our 49% equity interest in Jiangsu Mingfa Industrial Raw Materials Co, Ltd
2012	Disposed of our 50% equity interest of Xiamen Longxiang Project in December 2012
2013	Issued 13.25% senior guaranteed notes due 2018 in the principal amount of US$100,000,000
2013	Entered into agreement in relation to the issue of 8% senior guaranteed term notes due 2014 with an aggregate principal amount of up to US$100,000,000 in two tranches
2014	Entered into agreement to dispose of a property in Sai Kung, New Territories, Hong Kong
2014	Entered into agreement in relation to the issue of 8% senior guaranteed term notes due 2015 with an aggregate principal amount of US$60,000,000
2015	Entered into agreement pursuant to which our equity interest in Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. decreased from 100% to 51%
2015	Entered into facility agreement in relation to a term loan facility from China Huarong International Holdings Limited in an aggregate amount of up to US$100,000,000
2016	Entered into agreement in relation to the issue of 9% coupon secured and guaranteed bonds due 2019 in an aggregate principal amount of US$60,000,000
2017	Entered into agreement in relation to the issue of 11% coupon bonds due 2020 in an aggregate principal amount of US$220,000,000
2018	Entered into agreement in relation to the issue of 11% coupon bonds due 2019 in an aggregate principal amount of US$200,000,000
2019	Entered into agreement in relation to the issue of 15% coupon bonds due 2020 in an aggregate principal amount of US$200,000,000

AWARDS AND RECOGNITIONS

We place great emphasis on building strong brand recognition in the regions in which we operate and have successfully established a strong reputation for designing and developing distinctive and quality products. Our success in recent years has been recognised through a number of awards, certificates and recognitions, with the more notable ones set out below:

Name of Award	Award Presenter
Love Enterprise of Xingkong Love Foundation — HEFEI Mingfa Shopping Mall	Star, Lu'an Yingshanhong Love Public Welfare Association
Model Property with Investment Value in Anhui in 2011 — Hefei Mingfa Shopping Mall	Xin'an Property Website
Lands-saving, Energy-saving and Environment-friendly Public Building Demonstrative Projects in Anhui Province — Hefei Mingfa Shopping Mall	Department of Housing and Urban-Rural Development of Anhui Province, Anhui Development and Reform Commission, Anhui Economic and Information Technology Commission
Top Ten Famous Commercial Properties in Hefei Real Estate in 2011 — Hefei Mingfa Shopping Mall	Marketing Star, Hefei TV Station, Anhui Traffic Radio, Xingkong Community
2011 Influential Commercial Property Awards — Hefei Mingfa Shopping Mall	Hefei Hotline, Hefei Forum, House365
2008–2010 Outstanding Overseas Chinese Enterprise in Jiangsu Province — Yangzhou Real Estate	Jiangsu Overseas Chinese Federation, Department of Commerce, Local Taxation Bureau, Promotion of Trade Council, Chamber of International Commerce, Overseas Chinese Enterprise Federation
Third Session of Popular Property in Yangzhou — Yangzhou Mingfa Shopping Mall	Yangzhou Daily, Yangzhou Evening, Yangzhou Times
2011 Popular Commercial Property in Real Estate — Yangzhou Mingfa Shopping Mall	China Real Estate Information Corporation, Sina Leju
Most Driving Real Estate Brand — Mingfa Group	Xiamen Newspaper Office
2008–2011 Excellent Member Enterprise — Mingfa Group	Siming District Federation of Industry and Commerce (Chamber of Commerce)
Leading Fujian Real Estate Enterprise in China — Mingfa Group	China Real Estate Business, China Real Estate-Fujian Businessman Conference Organizing Committee
Top 10 Real Estate Development Enterprises in Xiamen in — Xiamen Mingfa Group	China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal Center
China Real Estate Golden Key Awards — Xiamen Mingfa Xiangwan Peninsula	China International Fair For Investment & Trade, World Chinese Entrepreneurs Real Estate Forum
China Real Estate Premium Awards — Xiamen Mingfa Xiangwan Peninsula	China Real Estate Business, China Real Estate-Fujian Businessman Conference Organizing Committee
The Most Investment Valuable Commercial Property in — Hefei Shopping Mall	SouFun, ChinaIndex Academy
The Most Investment Valuable Award in 2012 — Hefei Shopping Mall	JiangHuai Morning News
Entity of Outstanding Contributions 2013 — Nanjing Real Estate	CPC Committee of Nanjing Hi-tech Industry Development Zone
Best Commercial Property in the PRC Real Estate Industry 2013 — Mingfa Group	Nanjing Hi-tech Industry Development Zone Management Committee
Advanced Entity in the Development of Dingshan — Nanjing Real Estate	Annual Conference of the PRC Real Estate Industry and its General Rating Chart Organizing Committee
	Dingshan Street Working Committee of CPC Pukou District Committee Dingshan Street Office of Pukou District Government

We believe that our strong brand name, particularly in the Western Straits Economic Zone and the Greater Yangtze River Delta region, will continue to strengthen our competitiveness and enable us to consolidate and further implement our "selected regional focus" growth strategy.

SUMMARY OF OUR LAND BANK

Our land bank is well diversified and balanced to cater the needs from different market segments. As at 30 June 2019, land bank attributable to the Group was approximately 21.3 million sq.m. (approximately 22.4 million sq.m. as at 31 December 2018), consisting of 120 projects (116 projects as at 31 December 2018) in total.

The following tables summarize the details of the Group's land bank as at 30 June 2019:

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Notes)	Approximate Leasable and Saleable GFA (sq.m.)	Group's Interest	Attributable GFA (sq.m.)
Completed property (held for sale/leasing) (Note 1)								
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 Jiangtou 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, Lvling 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 at the northwest of Jiahe Road and Lianqian Road, Siming District, Xiamen, Fujian Province	Oct-2007	Commercial/Office/ Hotel	Completed	166,775	25,734	70%	18,014
Xiamen Mingfa Town.	Located at Lvling 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	4,776	100%	4,776
Nanjing Mingfa Riverside New Town.	Located in Taishan Village, Pukou District, Nanjing, Jiangsu Province	Nov-2009	Residential/ Commercial	Completed	1,072,182	58,565	100%	58,565
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	436,085	70%	305,260
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	186,476	100%	186,476

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area	Approximate Leasable and Saleable GFA	Group's Interest	Attributable GFA
					(sq.m.) (Notes)	(sq.m.)		(sq.m.)
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	223,343	100%	223,343
Nanjing Mingfa City Square . . .	Located on Dingshan Road, Pukou District, Nanjing, Jiangsu Province	Dec-2012	Residential/ Commercial/ Office	Completed	128,683	70,036	100%	70,036
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	237,615	100%	237,615
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 Xianzhang Road, south to Jiangpu Secondary School, north to South River, west to Guihua Road, Pukou District, Jiangsu Province	Sep-2017	Residential	Completed	8,586	7,345	100%	7,345
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	164,903	100%	164,903
Nanjing Mingfa Cloud Mansion	Located along Mountain Road South, Jiangpu Street, Nanjing, Jiangsu Province	Sep-2017	Residential	Completed	32,787	71,703	40%	28,681
Jinzhai Mingfa City Square (Plot G)	Located at New Town District, Meishan Town, Jinzhai County, Hefei, Anhui Province	Sep-2017	Residential/ Commercial	Completed	105,504	217,723	100%	217,723
Jinzhai Mingfa City Square (Plot D)	Located at New City, Meishan Town, Jinzhai County, Anhui Province	Dec-2017	Residential/ Commercial	Completed	62,885	57,881	100%	57,881
Wuxi Mingfa International New Town . . .	Located at the south of Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Jun-2017	Residential/ Commercial	Completed	258,297	104,823	100%	104,823
Jinzhai Mingfa City Square (Plot E, F) . . .	Located at New City, Meishan Town, Jinzhai County, Anhui Province	Jun-2018	Residential/ Commercial	Completed	203,406	231,067	100%	231,067

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area	Approximate Leasable and Saleable GFA	Group's Interest	Attributable GFA
					(sq.m.) (Notes)	(sq.m.)		(sq.m.)
Beijing Mingfa Mal.	Located in Beizang Village, Daxing District, Beijing	Dec-2018	Residential/ Commercial	Completed	45,414	112,469	100%	112,469
Nanjing Dream Garden.	Located at Yuhuatai Economic Development Zone, Nanjing, Jiangsu Province	Jul-2018	Residential	Completed	58,914	41,749	51%	21,292
Xiamen Mingfeng Town.	Located at Lingdou Siming District, Xiamen, Fujian Province	Jul-2018	Commercial	Completed	19,190	103,431	100%	103,431
Zhenjiang Mingfa Xinjin Yuancheng . . .	Located at east of the new Road, Danbei Town, Danyang City, Jiangsu Province	Jan-2018	Residential/ Commercial	Completed	14,287	12,393	100%	12,393
Shenzhen Mingfa Guangming Xuan	Located at Tianliao Yulv Area, Guangming New District, Shenzhen	Dec-2018	Commercial	Completed	4,109	9,133	100%	9,133
Nanjing Mingfa Yuejingyuan (G07).	Located at Pukou south along the mountain road, east side Nanjing University of Technology	Oct-2018	Commercial	Completed	31,455	38,509	100%	38,509
Sub-total					**3,662,641**	**2,737,915**		**2,535,891**
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 June 2019. The remaining GFA of 158,433 sq.m. will be completed in December 2019	296,702	193,027	100%	193,027
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 Jinxiu Hua City.	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec-2019	Residential/ Commercial	Completion certificate had been granted for GFA of 280,040 sq.m. in June 2019. The remaining GFA of 26,070 sq.m. will be completed in December 2019	61,222	171,162	100%	171,162

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area	Approximate Leasable and Saleable GFA	Group's Interest	Attributable GFA
					(sq.m.) (Notes)	(sq.m.)		(sq.m.)
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	Completion certificate had been granted for GFA of 196,412 sq.m. in June 2019. The remaining GFA of 25,120 sq.m. will be completed in December 2019	158,238	4,888	100%	4,888
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 June 2019. The remaining GFA of 361,737 sq.m. will be completed in December 2020	292,487	356,376	100%	356,376
Taizhou Mingfa International Mall (Phase 2)	Located in Gaogang District, Taizhou, Jiangsu Province	Oct-2020	Residential	Completion certificate had been granted for GFA of 214,896 sq.m. in June 2019. The remaining GFA of 30,791 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 220,683 sq.m. in June 2019. The remaining GFA of 18,538 sq.m. will be completed in December 2020	78,622	235,291	100%	235,291
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 June 2019. 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

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area	Approximate Leasable and Saleable GFA	Group's Interest	Attributable GFA
					(sq.m.) (Notes)	(sq.m.)		(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 June 2019. The remaining GFA of 843,189 sq.m. will be completed in December 2021	285,594	798,406	100%	798,406
Huizhou Mingfa Gaobang New City.	Huizhou City West Train Station, 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 along the mountain road to the south, Caiba Road East, Pukou District, Nanjing, Jiangsu Province	Dec-2019	Residential	Completion certificate had been granted for GFA of 244,877 sq.m. in June 2019. The remaining GFA of 10,484 sq.m. will be completed in December 2019	115,876	111,074	100%	111,074
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 145,222 sq.m. in June 2019. The remaining GFA of 224,325 sq.m. will be completed in December 2021	209,048	369,238	100%	369,238
Nanjing Mingfa Wealth Center	Located in New City Headquarters Avenue on the North side of 05 plots, Pukou District, Nanjing, Jiangsu Province	Dec-2019	Commercial/Office	Completion certificate had been granted for GFA of 251,527 sq.m. in January 2019. The remaining GFA of 281,756 sq.m. will be completed in December 2019	56,694	512,424	100%	512,424
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 June 2019. The remaining GFA of 175,483 sq.m. will be completed in December 2019	132,937	19,567	51%	9,979

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area	Approximate Leasable and Saleable GFA	Group's Interest	Attributable GFA
					(sq.m.) (Notes)	(sq.m.)		(sq.m.)
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 June 2019. The remaining GFA of 440,275 sq.m. will be completed in December 2019	298,289	508,251	100%	508,251
Wujiang Mingfa Jiangwan New City (Phase 2)	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Dec-2021	Residential/ Commercial	Completion certificate had been granted for GFA of 372,909 sq.m. in June 2019. The remaining GFA of 1,022,575 sq.m. will be completed in December 2021	489,567	1,132,976	100%	1,132,976
Quanzhou Mingfa International Huachang City.	Located at Neicuo village, Guanqiao Town, Nanan, Fujian Province	Dec-2021	Residential/ Commercial	Completion certificate had been granted for GFA of 167,587 sq.m. in June 2019. The remaining GFA of 658,913 sq.m. will be completed in December 2021.	276,120	745,881	100%	745,881
Guang'an Mingfa Mall (GC2013–45 Block)	Located in Bridge Group, Guanan, Sichuan Province	Dec-2020	Residential/ Commercial	Completion certificate had been granted for GFA of 152,222 sq.m. in June 2019. The remaining GFA of 230,470 sq.m. will be completed in December 2020	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 June 2019. The remaining GFA of 445,215 sq.m. will be completed in December 2021	147,371	449,889	100%	449,889

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area (sq.m.) (Notes)	Approximate Leasable and Saleable GFA (sq.m.)	Group's Interest	Attributable GFA (sq.m.)
Shenyang Creative Industrial Estate	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec-2021	Residential/ Commercial	Completion certificate had been granted for GFA of 88,339 sq.m. in June 2019. The remaining GFA of 373,733 sq.m. will be completed in December 2021	154,024	438,437	100%	438,437
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 Buliding	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 AC)	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, Maanshan, Anhui Province	Dec-2019	Residential/ Commercial	Approximately 50% of construction has been completed	101,504	171,950	100%	171,950
Nanjing Mingfa Yueshanyuefu .	Pukou Jiangpu Street angle at University Avenue and Flower Industry	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	Completion certificate had been granted for GFA of 21,702 sq.m. in June 2019. The remaining GFA of 219,092 sq.m. will be completed in December 2019	109,452	237,913	100%	237,913
Minghong Xin Xing Yue Cheng	Located 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
Taoyuan Mansion	Located at Xianghe Town, Quanjiao, Anhui Province	Mar-2020	Residential	Completion certificate had been granted for GFA of 30,623 sq.m. in June 2019. The remaining GFA of 9,913 sq.m. will be completed in December 2019	18,099	21,254	100%	21,254
Taoyuan Mingzhu	Located in Shengzhouhu Road, Chizhou, Anhui Province	Jun-2021	Residential	Approximately 50% of construction has been completed	99,943	159,909	100%	159,909

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area	Approximate Leasable and Saleable GFA	Group's Interest	Attributable GFA
					(sq.m.) (Notes)	(sq.m.)		(sq.m.)
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 Shuian. . . .	Located in north side of Huaihe Road, Jinhu County, Huai'an, 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
Nanjing Mingfa Xianghill Wan	Located in Software Service Center High Tech Development Zone, Nanjing, Jiangsu Province	Dec-2021	Commercial	Approximately 30% of construction has been completed	62,015	356,997	100%	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 Wealth Centre	Located in Binjiang Road, Guang'an District, Guanan, Sichuan Province	Dec-2021	Residential/ Commercial	Approximately 30% of construction has been completed	76,363	212,342	100%	212,342
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 New Town.	Located at Chahe Town, Laian, Anhui Province	Jun-2021	Residential	Approximately 50% of construction has been completed	66,350	383,664	70%	268,565
Hecheng Shoufu	Located at Liyang Town, Maanshan, Anhui Province	Jan-2021	Residential	Approximately 50% of construction has been completed	26,918	53,835	100%	53,835

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area	Approximate Leasable and Saleable GFA	Group's Interest	Attributable GFA
					(sq.m.) (Notes)	(sq.m.)		(sq.m.)
Mingfa Huguangshanse Yihao	Located at Xiangquan Town Maanshan, Anhui Province	May-2020	Residential/ Commercial	Approximately 30% of construction has been completed	68,688	82,426	100%	82,426
Mingfa Huguangshanse Yihao	Located at Xiangquan Town Maanshan, 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
Jinzhai Yueshanyuefu .	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, along the Mountain Road South	Jun-2020	Commercial	Vacant	32,843	59,117	100%	59,117
Taohua Yuanzhu (Phase 1)	Located at Xingyuan Road Zibo, Shandong Province	Oct-2022	Residential	Vacant	75,474	135,853	100%	135,853
Mingfa Internet Industrial Park (Phase 1)	Located at Xingyuan Road Zibo, Shandong Province	Oct-2022	Commercial	Vacant	32,415	48,623	100%	48,623
Siyang Mingfa Shoufu 2013E1 Plot	Located at Zhongxing Town Siyang, Suqian, Jiangsu Province	Dec-2021	Residential/ Commercial	Vacant	64,173	320,865	70%	224,606
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
Xinyue City	Located in West Ring Road East, Zhongyang Avenue North, West City Road West, Fengxian, Xuzhou, Jiangsu Province	Dec-2021	Residential/ Commercial	Vacant	102,069	255,172	70%	178,620
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
Sub-total					**7,161,460**	**15,154,708**		**14,381,478**
Property with land use rights certificate for future development (Note 3)								
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

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area	Approximate Leasable and Saleable GFA	Group's Interest	Attributable GFA
					(sq.m.) (Notes)	(sq.m.)		(sq.m.)
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 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 MingLin	Located at Wujiang Town Four Lian, Hexian, Anhui Province	Apr-2021	Residential/ Commercial/ Industrial	Vacant	123,223	211,755	100%	211,755
Siyang Mingfa Shoufu 2013E2 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 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 Maanshan, 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
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
MingBo Yue City.	Located at Bowang Towr Bowang District, Maanshan, Anhui Province	Nov-2021	Residential/ Commercial	Vacant	67,600	121,680	100%	121,680
New project in Dingyuan CR2018-20 . . .	Located at Kaoshan Road, Dingyuan Town, Chuzhou, Anhui Province	Oct-2022	Residential	Vacant	69,333	138,666	100%	138,666
New project in Dingyuan CR2018-21 . . .	Located at south of Qi Jiguang Avenue, Dingyuan Town, Chuzhou, Anhui Province	Oct-2022	Commercial/Office	Vacant	24,439	146,636	100%	146,636
New project in Fengxian (2016-30, 2016-32, 2016-33, 2016-34)	Located in West Ring Road East, Zhongyang Avenue North, West City Road West, Fengxian, Xuzhou, Jiangsu Province	Dec-2022	Residential/ Commercial	Vacant	213,380	533,450	70%	373,415
Sub-total					**2,782,564**	**4,515,680**		**3,606,421**

Property Name	Location	Actual/ Estimated Completion Date	Type of Property	Status	Site Area	Approximate Leasable and Saleable GFA	Group's Interest	Attributable GFA
					(sq.m.) (Notes)	(sq.m.)		(sq.m.)
Property with signed land use rights contract for future development (Note 4)								
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 (2011G16, 2012G13, 2012G14 Phase 3)	Located in Bangshan Town, Kekeng Village, Longhai, Zhangzhou, Fujian Province	Dec-2022	Residential	Vacant	105,188	315,564	100%	315,564
Kangyang Town.	Located in Jiangjun Road, Jinzhai, Anhui Province	Sep/2021	Residential/ Commercial	Vacant	64,539	103,263	100%	103,263
New project in Hainan A-05 . .	Located in Haikou Comprehensive Bonded Area, Haikou, Hainan Province	Jan-2021	Industrial	Vacant	57,600	57,600	100%	57,600
New project in Hainan.	Located in Haikou Comprehensive Bondec Area, Haikou, Hainan Province	Jan-2021	Industrial	Vacant	53,369	53,369	100%	53,369
New project in Huai'an Xinyi	Located in north of Beijing East Road, east of Qianjiang Road, Xinyi, Xuzhou, Jiangsu Province	Oct-2022	Commercial	Vacant	46,548	88,000	60%	52,800
Sub-total					**350,028**	**710,094**		**674,894**
Total					**13,956,693**	**23,118,397**		**21,021,870**

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 30 June 2019.
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 30 June 2019.
3. The site area is in respect of the whole property (regardless of GFA that had been sold).
4. The approximate leasable and saleable GFA and attributable GFA have excluded the GFA that had been sold/ leased.

RECENT DEVELOPMENTS

Our performance for the nine months ended 30 September 2019

For the nine months ended 30 September 2019, we achieved unaudited contracted sales of approximately RMB8.52 billion in total, representing an increase of approximately 36.2% when compared to the same period in 2018 (approximately RMB13.36 billion) in the following regions:

City	Area	Average Selling Price	Amount	Percentage
	(sq.m.)	(RMB/sq.m.)	(RMB in million)	(%)
Nanjing, Jiangsu Province	92,200	20,772	1,915.2	22.5%
Zibo, Shangdong	73,594	9,892	728.0	8.5%
Lai'an, Anhui Province	103,805	6,820	708.0	8.3%
Jinzhai, Anhui Province.	101,957	5,611	572.1	6.7%
Changsha, Hunan Province	86,902	6,436	559.3	6.6%
Taizhou, Jiangsu Province	67,243	6,420	431.7	5.1%
Chizhou, Anhui Province.	47,567	8,606	409.4	4.8%
Ma'anshan, Anhui Province.	56,391	6,702	377.9	4.4%
Guang'an, Sichuan Province	68,758	5,017	345.0	4.1%
Quanjiao, Anhui Province	54,753	5,936	325.0	3.8%
Wuhu, Anhui Province	47,651	6,299	300.1	3.5%
Chuzhou, Anhui Province	26,131	8,595	224.6	2.6%
Sihong, Jiangsu Province	26,196	7,828	205.1	2.4%
Shenyang, Liaoning Province	25,758	6,785	174.8	2.1%
Fengxian, Jiangsu Province	27,979	6,039	169.0	2.0%
Zhenjiang, Jiangsu Province.	27,400	5,718	156.7	1.8%
Suqian, Jiangsu Province	24,374	6,232	151.9	1.8%
Others	110,381	6,922	764.1	9.0%
	1,069,040	7,968	8,517.6	

Subsequent Events

On 25 July 2019, we made an announcement on certain subsequent events.

Connected Transactions — Sales of House Use Rights

On 25 December 2013, the Company entered into the House Use Rights Transfer Contracts with Mr. Huang Qingzhu, Mr. Huang Po Wing, Ms. Huang Wai Fong, Mr. Huang Po Ka, Mr. Huang Honghui, Mr. Wong Wun Ming, Mr. Huang Zhibin and Ms. Huang Xiaoling (the "Purchasers"), pursuant to which the Company agreed to sell and each of the Purchasers agreed to purchase the House Use Rights of eight villas located at Xiamen Mingfa Harbour Resort (廈門明發海灣度假村). The aggregate selling price of the House Use Rights is RMB189,000,000.

Each of the Purchasers is a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the House Use Rights Transfer Contracts and the Sales constituted connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the House Use Rights Transfer Contracts were entered into on the same date, they should be aggregated pursuant to Rule 14.22 of the Listing Rules. Since one or more of the applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules for the House Use Rights Transfer Contracts exceeds 0.1% but is less than 5% in aggregate, the House Use Rights Transfer Contracts and the Sales are subject to the announcement and reporting requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Discloseable and Connected Transaction — Proposed Disposal of 51% Equity Interests in Tianjin Subsidiary and Subsequent Termination

On 20 December 2014, the Company, as seller, and Mr. Wong Wai Choi, as purchaser, entered into the Equity Transfer Contract, pursuant to which the Company agreed to sell, and Mr. Wong Wai Choi agreed to purchase, 51% equity interests in the Tianjin Subsidiary at the consideration of RMB663 million, which should be settled within nine months from the date of signing of the Equity Transfer Contract.

On 30 April 2015, the Company and Mr. Wong Wai Choi entered into the Supplemental Agreement to the Equity Transfer Contract pursuant to which the parties agreed that, among other things, Mr. Wong Wai Choi should pay to the Group not less than 70% of the consideration for the Proposed Equity Transfer by 31 December 2015 and the remaining balance by 30 June 2016.

The Proposed Equity Transfer was subsequently terminated on 10 September 2016 pursuant to the Cancellation Agreement.

As one or more of the applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules for the Equity Transfer Contract exceeds 5% but is less than 25%, the Proposed Equity Transfer constituted a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Mr. Wong Wai Choi is the cousin of Mr. Wong Wun Ming, the chairman of the Board, a non-executive Director and a controlling shareholder of the Company, and Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui, the executive Directors, and is a deemed connected person of the Company under Rule 14A.21 of the Listing Rules. Accordingly, the Proposed Equity Transfer also constituted a connected transaction of the Company, which is subject to the reporting, announcement, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As the Proposed Equity Transfer was terminated, the resolution in relation to the Proposed Equity Transfer will not be put forward for the approval by the independent shareholders of the Company.

Delay in Publication of Announcements

The House Use Rights Transfer Contracts were entered into on 25 December 2013 and the Equity Transfer Contract was entered into on 20 December 2014. The House Use Rights Transfer Contracts and the Equity Transfer Contract were not properly reported and therefore, the Company had failed to recognize that the Sales would amount to non- exempt connected transactions under Chapter 14A of the Listing Rules and the Proposed Equity Transfer would constitute a discloseable and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules and no actions were taken to comply with the relevant requirements under Chapters 14 and 14A of the Listing Rules at the material time.

The Company admits that the delay in the publication of the announcement constitutes a breach of Rule 14.34 and Rule 14A.35 of the Listing Rules. The Company and the Board sincerely apologize for any inconvenience caused to the Shareholders and investors of the Company due to the non-compliance. In light of the breaches and related Audit Matters, the Company has taken remedial measures. Please refer to the announcement of the Company dated 25 July 2019 for further details.

The Board is of the view that proper systems and structure has been put in place and the Company is well-positioned to adhere to and execute the new internal control systems and procedures, which in turn will enable the Company to comply with the relevant requirements under the Listing Rules and prevent similar breaches of the Listing Rules in the future.

Saved as the abovementioned, there was no matter between the balance sheet date (that is, 30 June 2019) and the date of interim report 2019 that would cause a material impact to the Group.

Suspension of Trading

On 1 April 2016, subsequent to our announcement of the consolidated annual results of the Group for the year ended 31 December 2015 (the "2015 Results") and the extract of independent auditor's report (the "2015 Report") on the Company's consolidated financial statements for the year ended 31 December 2015 and at our request, trading in our shares and the 2018 Notes on the Main Board of HKSE was suspended.

On 29 April 2016, HKSE issued a letter informing the Company of the following conditions which the Company must satisfy before it is allowed to resume trading (the "Resumption Conditions"):

(iv) conduct an appropriate investigation on the matters identified by the Auditor, disclose the findings of the investigation, assess the impact on the Company's financial and operational positions, and take appropriate remedial actions;

(v) address the audit qualifications on the 2015 Annual Results; and

(vi) inform the market of all material information for the shareholders and the investors to appraise the Group's position.

On 27 July 2018, the Company received a letter from HKSE informing the Company the decision of HKSE to further impose the following resumption condition (the "Further Resumption Condition"):

— publish all outstanding financial results and address any audit modifications,

and for the avoidance of doubt, the Company is still subject to all the other Resumption Conditions. Should future development necessitates, HKSE may modify or impose further conditions.

On 16 July 2019 and 26 July 2019, the Company submitted the Resumption Report and the Supplemental Report to the Stock Exchange in relation to the Company's progress of fulfillment of the Resumption Conditions, and application for the confirmation for trading resumption from the HKSE.

On 26 July 2019, the Company announced and disclosed the summary of key findings of independent forensic investigations, the summary of audit opinion of the audited consolidated financial statements for the financial years ended 31 December 2016, 2017 and 2018 and the supplemental information of internal control review.

On 25 November 2019, in response to the further enquiries from the HKSE, we provided the requested further information to the HKSE. As at the date of this offering circular, we are awaiting confirmation from the HKSE in response to our application for confirmation for resumption of trading of our shares on the HKSE.

PROGRESS OF DEVELOPMENT ON MAJOR PROJECTS

The progress and status as at 30 June 2019 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 30 June 2019, completion certificate had been granted for GFA of 246,745 sq.m.

As at 30 June 2019, an aggregate GFA of 65,212 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 30 June 2019, completion certificate has been granted for GFA of 280,040 sq.m.

As at 30 June 2019, an aggregate GFA of 86,506 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.

The site area of the project is approximately 158,238 sq.m., with an aggregate GFA of approximately 221,533 sq.m. As at 30 June 2019, completion certificate had been granted for 196,412 sq.m.

As at 30 June 2019, 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 30 June 2019, completion certificate had been granted for GFA of 631,960 sq.m.

As at 30 June 2019, an aggregate GFA of 130,884 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 30 June 2019, completion certificate had been granted for GFA of 220,683 sq.m.

As at 30 June 2019, an aggregate GFA of 122,347 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 30 June 2019, 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.

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 30 June 2019, an aggregated GFA of 25,932 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 30 June 2019, completion certificate had been granted for GFA of 74,461 sq.m.

As at 30 June 2019, an aggregate GFA of 293,798 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 30 June 2019, 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 30 June 2019, completion certificate had been granted for GFA of 244,877 sq.m.

As at 30 June 2019, an aggregate GFA of 30,325 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 30 June 2019, completion certificate had been granted for GFA of 145,222 sq.m.

The project is expected to be completed in December 2021.

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 30 June 2019, completion certificate had been granted for GFA of 251,527 sq.m.

As at 30 June 2019, an aggregate GFA of 120,221 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 30 June 2019, completion certificate had been granted for GFA of 200,563 sq.m.

As at 30 June 2019, an aggregate GFA of 50,604 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 30 June 2019, completion certificate had been granted for GFA of 642,537 sq.m.

As at 30 June 2019, an aggregate GFA of 320,676 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 30 June 2019, completion certificate had been granted for GFA of 167,587 sq.m.

As at 30 June 2019, an aggregate GFA of 39,681 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, Guanan, 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.

As at 30 June 2019, completion certificate had been granted for GFA of 152,222 sq.m.

As at 30 June 2019, an aggregate GFA of 52,462 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 30 June 2019, completion certificate had been granted for GFA of 173,743 sq.m.

As at 30 June 2019, an aggregate GFA of 80,415 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 30 June 2019, completion certificate had been granted for GFA of 88,339 sq.m.

As at 30 June 2019, 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.

Zhongao Town Building

Zhongao 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 A and C is expected to be completed in December 2019.

As at 30 June 2019, completion certificate had been granted for GFA of 67,864 sq.m.

As at 30 June 2019, an aggregate GFA of 235,334 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.

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.

As at 30 June 2019, an aggregate GFA of 111,506 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.

Nanjing Mingfa Yueshanyuefu

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.

As at 30 June 2019, an aggregate GFA of 56,776 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.

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 30 June 2019, completion certificate had been granted for GFA of 21,702 sq.m.

As at 30 June 2019, an aggregate GFA of 93,713 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 Xin Xing Yue City

Nanjing Minghong Xin 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 30 June 2019, an aggregate GFA of 83,295 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 30 June 2019, completion certificate had been granted for GFA of 30,623 q.m..

As at 30 June 2019, an aggregate GFA of 93,713 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 30 June 2019, 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.

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 30 June 2019, an aggregate GFA of 76,752 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 30 June 2019, 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.

As at 30 June 2019, an aggregate GFA of 59,222 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 Xianghill Bay

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.

As at 30 June 2019, an aggregate GFA of 30,325 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.

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.

As at 30 June 2019, an aggregate GFA of 77,121 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 2020.

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.

As at 30 June 2019, an aggregate GFA of 32,684 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion 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.

As at 30 June 2019, an aggregate GFA of 52,486 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion 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 30 June 2019, an aggregate GFA of 122,381 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

The project is located at Located in Binjiang Road, Guang'an District, Guanan, 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 305,452 sq.m.

As at 30 June 2019, an aggregate GFA of 54,094 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.

As at 30 June 2019, an aggregate GFA of 12,634 sq.m. had been pre-sold but not delivered and such pre-sold properties will be delivered to the buyer upon completion 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.

As at 30 June 2019, an aggregate GFA of 102,338 sq.m. had been pre-sold but not delivered and such pre-sold properties will be delivered to the buyer upon completion 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.

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 30 June 2019, an aggregate GFA of 31,496 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 New Town

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.

As at 30 June 2019, an aggregate GFA of 122,381 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.

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 30 June 2019, an aggregate GFA of 12,743 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.

Jinzhai Yueshanyuefu

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.

As at 30 June 2019, an aggregate GFA of 50,937 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.

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.

As at 30 June 2019, an aggregate GFA of 23,400 sq.m. had been pre-sold but not yet delivered and such pre-sold properties will be delivered to the buyers upon completion in October 2022.

Mingfa Internet Industrial Park (Phase 1)

The project is located at Xingyuan Road, Zibo, Shandong Province. The project is designed as commercial complex.

The site area of the project is approximately 32,415 sq.m. with an aggregate GFA of approximately 48,623 sq.m. The project is expected to be completed in October 2020.

Siyang Mingfa Shoufu 2013E1 Plot

The project is located at Zhongxing Town Siyang, Suqian, Jiangsu Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 64,173 sq.m. with an aggregate GFA of approximately 320,866 sq.m. The project is expected to be completed in October 2020.

New project in Jinniuhu

The project is located at east of Changxing Road and north of Nameless Road, Jinniu Lake New City, Tianchang, Anhui Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 48,073 sq.m. with an aggregate GFA of approximately 96,145 sq.m. The project is expected to be completed in October 2021.

Xinyue City

The project is located at West Ring Road East, Zhongyang Avenue North, West City Road West, Fengxian, Xuzhou, Jiangsu Province. The project is designed as residential and commercial complex.

The site area of the project is approximately 102,069 sq.m. with an aggregate GFA of approximately 255,171 sq.m. The project is expected to be completed in December 2021.

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%
Total			965,055	

PRE-SOLD PROPERTIES

As at 30 June 2019, the accumulated attributable GFA of pre-sold properties not yet delivered to the buyers was 2,958,035 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%	293,798
Chizhou	Taoyuan Mingzhu	100%	61,442
Chizhou	Taoyuan Xiangsong	100%	77,121
Dangtu	Taoyuan Xi'an	100%	35,185
Guang'an	Guang'an Mingfa Mall	100%	52,462
Guang'an	Guang'an Wealth Centre	100%	54,094
Hanshan	Taoyuan Guandi	100%	59,222
Hefei	Hefei Mingfa Shopping Mall	100%	19,946
Huai'an	Huai'an Mingfa Shopping Mall	100%	18,778
Huai'an	Jinse Shuian	100%	47,354
Huizhou	Huizhou Mingfa Gaobang New City	80%	21,942
Jinzhai	Mingfa City Lights	100%	37,602
Jinzhai	Jinzhai Yueshanyuefu	100%	50,937
Jinzhai	Jinzhai Mingfa City Square	100%	235,334
Laian	Mingfa North Station Centre	100%	31,496
Laian	Mingfa North Station New Town	70%	85,667
Ma'anshan	Hecheng Shoufu	100%	12,743
Ma'anshan	Mingfa MingBo Town	100%	111,506
Nanjing	Nanjing Rong Li	51%	25,808
Nanjing	Nanjing Mingfa Xianghill Wan	100%	30,325
Nanjing	Nanjing Mingfa Shopping Mall	100%	30,547
Nanjing	Minghong Xin Xing Yue Cheng	40%	33,318
Nanjing	Nanjing Mingfa Yueshanyuefu	100%	56,779
Nanjing	Nanjing Mingfa Wealth Centre	100%	120,221
Pingliang	Pingliang Mingfa European City	60%	25,932
Quanjiao	Taoyuan Fudi	70%	22,879
Quanjiao	Taoyuan Guanlan	70%	36,740
Quanjiao	Taoyuan New Town	100%	93,713
Quanzhou	Quanzhou Mingfa Hua Chang City	100%	39,681
Shandong	Shandong Zibo World Trade Center	100%	80,415
Shenyang	Shenyang Mingfa Jinxiuhwa City	100%	86,506
Sihong	Shui Yun Taoyuan	100%	96,752
Taizhou	Taizhou Mingfa City Complex	100%	130,884
Wuhu	Chun Gu Xi An	100%	102,338
Wujiang	Wujiang Mingfa Jiangwan New City	100%	320,676
Xiamen	Zhongao Town Buliding	51%	11,948
Xiamen	Xiamen Mingfa Shopping Mall	70%	15,846
Zhangzhou	Zhangpu 2017SG15	100%	12,634
Zhangzhou	Zhangzhou Longhai Mingfa Mall	100%	122,347
Zhenjiang	Zhenjiang Jinxiu Yishan	100%	65,212
Zibo	Taohua Yuanzhu	100%	23,400
Others			66,505
Total			2,958,035

INVESTMENT PROPERTIES

Investment properties are self-owned properties we hold for lease purposes or capital appreciation or both, and that we do not occupy or otherwise use ourselves. As at 30 June 2019, our investment properties are located in the city of Xiamen, Nanjing, Zhangzhou, Wuxi, Hefei, Quanzhou, Taizhou, Zhenjiang, Yangzhou, Tianjin and Changsha. Our investment properties have appreciated in value due to the overall appreciation and general growth of property prices in the areas where they are located. At the same time, the operation and management by our professional team and other third party management companies has contributed to the increasing rental income from such properties, which are a source of stable and steady cash flows. In addition, many of the retail units that we are currently developing will be held for investment, primarily to complement our commercial complexes and residential properties within each project site.

Our objective regarding investment properties is to achieve a stable earnings profile through increasing recurrent income from a diverse portfolio of investment properties including offices, retail units and hotels. We also have plans to extend our business to the logistics and asset management industries to further diversify our businesses. See "Business — Our Strategies — Prudent expansion of our investment property portfolio to reduce fluctuations in our income stream."

The following table summarises the details of our major properties held for investment as at 30 June 2019:

Property	Location	Existing Usage	Attributable GFA	Term of Leases	Percentage of Interest in the Properties Attributable to the Group
			(sq.m.)		
Beijing Mingfa Mall	Located at Bizang Village, Daxing District, Beijing	Residential/ Commercial	61,108	3–10 years	100%
Changsha Mingfa Shopping Mall	Located in Star Cheng Town, Wangcheng County, Changsha, Hunan Province	Commercial	70,742	Under construction	100%
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang District, Hefei, Anhui Province	Commercial	155,913	15–20 years	100%
Jinzhai Mingfa City Square (Plot G)	Located at New Town District, Meishan Town, Jinzhai County, Hefei, Anhui Province	Commercial	55,105	2–15 years	100%
Nanjing Mingfa New City Finance Buliding	Located in New Town Business Avenue North, Pukou District, Nanjing, Jinangsu Province	Office	784	3–5 years	100%
Nanjing Mingfa Riverside New Town	Located in Taishan Village, Pukou District, Nanjing, Jiangsu Province	Commercial	52,868	3–9 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%
Quanzhou Mingfa Hotel	Located in Licheng District, Jiangnan Torch Village, Quanzhou, Fujian Province	Hotel	4,755	5 years	100%
Taizhou Mingfa International Mall	Located in Gaogang District, Taizhou, Jiangsu Province	Commercial	6,355	10 years	100%
Tianjin Mingfa City Complex	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Commercial	62,631	Under construction	100%
Wuxi Mingfa International New Town	Located at south of Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Commercial	733	3 years	100%
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Commercial	6,695	15–20 years	70%

Property	Location	Existing Usage	Attributable GFA (sq.m.)	Term of Leases	Percentage of Interest in the Properties Attributable to the Group
Xiamen Lianfeng Furniture Park	Located on Honglian Road, Siming District, Xiamen, Fujian Province	Industrial	26,120	20 years	100%
Xiamen Mingfa Group Mansion	Located at Qianpu Industrial Park, Xiamen, Fujian Province	Commercial	1,123	5–6 years	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%
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 Mingfa Shopping Mall	Located to the northwest of Jiahe Road and Lianqian Road, Siming District, Xiamen, Fujian Province	Commercial	113,379	8–20 years	70%–100%
Xiamen Mingfa Technology Park	Located in Kaiyuan Xing'an Industrial Park, Tong'an District, Xiamen, Fujian Province	Industrial	62,131	18 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	58,860	15 years	100%
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No. 6 Road West, Xinpu Road South, Zhangzhou, Fujian Province	Commercial	112,416	12–19 years	100%
Zhenjiang Jinxiu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Commercial	2,859	15.5 years	100%
Total			1,059,308		

MEMORANDA OF UNDERSTANDING WITH GOVERNMENT BODIES

Various governmental bodies in China often grant land use rights in developing cities, including second and third tier cities. As at 30 June 2019, the Group entered into 10 uncompleted memoranda of understanding MOUs with various local governmental bodies of the PRC after being approached bythem in relation to various urban renewal and redevelopment programs in different cities and locations. All MOUs were signed in or before 2013. We believe that entering into these MOU enables us to establish a close working relationship with the relevant governmental bodies.

We believe that because of our scale of operations, track record in developing large-scale commercial and residential complexes, strong brand name, and ability to offer employment opportunities, various local governments have offered us opportunities to participate in large-scale development projects. These local governments usually enter into MOU with us, confirming their intention to support our projects once we obtain underlying land use rights via public tender, auction or listing for sale procedures.

These MOUs set out each parties' intention to co-operate and develop relevant projects. However, terms relating to specific land parcels, including the amount of land premium payable, are still subject to land use rights grant contracts to be entered into between the relevant governmental authorities and us. We are required to go through public tender, auction or listing for sale procedures under PRC law and to obtain the relevant government approvals before we can obtain the land use rights with respect to the land parcels under these MOU. As such, there is no guarantee that these MOU will lead to our acquisition of any land use rights.

Historically, such MOU have played an important role in our land acquisitions strategy. These MOU encompass urban redevelopment projects in different regions through various land acquisition channels and methods in the primary and secondary markets. Due to differences in the applicable local government rules and regulations governing urban redevelopment projects, the expected timeframe for completing the transactions and obtaining the land use rights certificates may vary from contract to contract.

The following table summarises the information relating to the 10 uncompleted MOUs with government bodies entered into by us as at 30 June 2019:

Project Name	Location	Date of MOU	Site Area	GFA	(Notes)
			(sq.m.)	(sq.m.)	
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)
Total			**7,486,167**	**19,646,270**	

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 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 529,526 sq.m. and approximately 832,637 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.

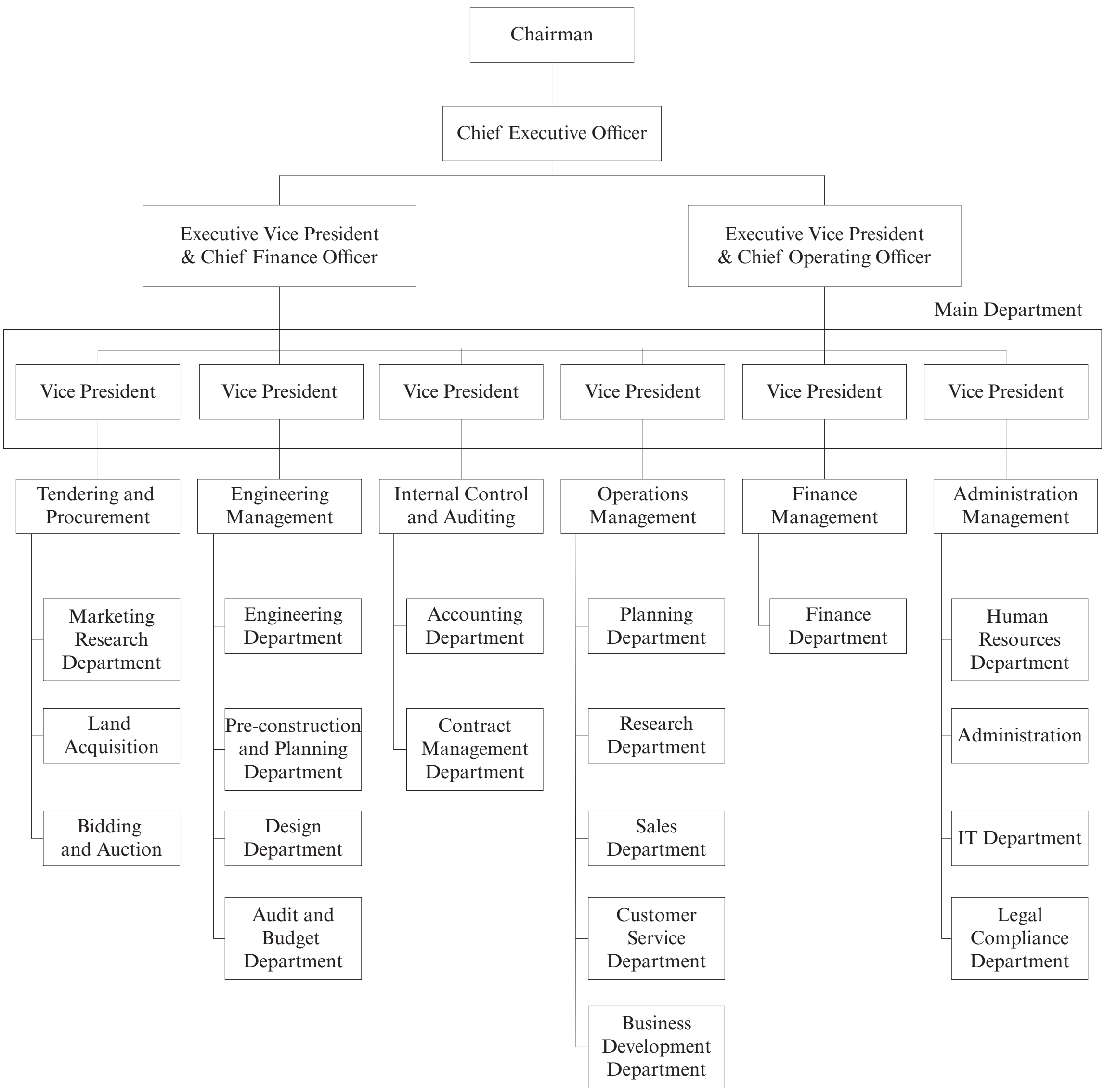
(6) The Group had acquired 1 plot of land under the MOU signed on 6 December 2012. The land is located at west of Software Park, Gaoxin District, Nanjing, Jiangsu Province. Total land area and GFA is approximately 1 1,244 sq.m. and approximately 67,465 sq.m. respectively.

(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 Country, Hefei, Anhui Province. Total land area and GFA is approximately 1,401,143 sq.m. and approximately 3,770,826 sq.m. respectively.

PROPERTY DEVELOPMENT

Our project development process is coordinated and supervised by the various key functional departments located in our headquarters in Nanjing, which have been operating on a centralized basis since 2008. Our Chairman, Mr. Wong Wun Ming, Chief Executive Officer, Executive Vice Presidents and our senior management team work closely with the head of each of these departments and provide the necessary management guidance. We believe our centralized management structure, which allows the overseeing of the various management teams of local project companies, is highly effective, allows for efficient supervision by our Chairman, Chief Executive Officer, Executive Vice Presidents and our senior management team and helps to enhance our operational efficiency and optimise our resources.

The chart below summarises our management structure:



We have specialised personnel in charge of the various key stages of the project development process, which include, but are not limited to, site selection, land acquisition, pre-construction planning and design, construction, sales and marketing, completion, delivery and after-sales services.

We also engage independent third party service providers, with whom we have established strong working relationships over the years, to assist us in some of the above stages, such as planning and design, construction as well as sales and marketing.

We have summarised below the key stages of our project development process:

Site Selection	Land Acquisition	Pre-construction, financing and design	Construction	Sales and Marketing	Completion, delivery and after-sales services	Business Development and Management
• Identify potential site	• Acquire land through public tender, auction or listing-for sale	• Obtain key government permits/ certificates	• Engage third party construction companies through a bidding process	• Engage selected sales and marketing agency through tenders	• Deliver property	• Provide leasing and promotion services
• Prepare feasibility study report and conduct market research and analysis for the Board's consideration	• Acquire and through transfer MOU	• Consolidate funds from internal financial resources and bank loans	• Procure construction equipment	• Comply with pre-sale statutory requirements	• Provide after sales customer services including property management, mortgage and registration assistance, and handling of complaints	• Provide management services
• Liaise with local government to understand the various legal and environmental requirements, procedures and timing for acquisition process	• Obtain land use rights certificate	• Select and finalise design	• Monitor internal quality control	• Marketing and promotion	• Provide leasing, administrative, marketing, operational and management services in relation to commercial complexes	
• Obtain final approval from the Board			• Perform fitting-out as required			

Site Selection

Site selection and evaluation process is a fundamental step in our project development process and is crucial to the success of a property development. Therefore, we devote significant management resources to it. In our site selection process, our research department, with the assistance of independent third party service providers, commences the process by identifying and assessing the development potential of a potential site. Our Chairman, Mr. Wong Wun Ming, our Executive Directors and our senior management team will then participate in the evaluation process to reach the final decision. We use a disciplined and systematic approach to identify suitable sites for project development. The primary criteria in our site selection and evaluation process includes the following:

- economic development prospects, taking into account factors such as GDP growth, local government revenue, population, average income and disposable income in the area where the site is located;

- supply and demand characteristics and property market conditions for residential properties and commercial complexes in the local market;
- applicable zoning regulations and policies on real estate development, future land availability, preferential tax rates, specifications and requirements imposed by the local government on the project, and long-term and short-term development plans for the region and its surrounding areas;
- size and geographic location of the site, in particular, its proximity and accessibility to city centres or business districts;
- supporting infrastructure facilities, including transportation and utilities; and
- total acquisition cost, investment returns.

After we have identified a suitable site, our market research, land acquisition and finance departments will engage independent third party service providers to prepare an investment feasibility report and a financial analysis report for our Executive Directors. Our research department will also work closely with our planning and sales departments, which will conduct their own research and analysis to assess the overall market positioning and profitability potential of the proposed site.

If our Executive Directors decide to proceed with the acquisition of the relevant site based on the investment feasibility report and financial analysis report, our relevant departments, depending on the type of properties to be built on the site, will liaise with the local government to understand the terms and conditions, procedures and timing for the acquisition process. They will also seek suggestions and proposals from the local government on how the relevant site can fit into the overall development plan of the city or locality involved, before reporting back to the Executive Directors for their final approval.

Land Acquisition

We acquire land use rights directly from the PRC Government by way of public tender, auction or listing for sale and in the secondary markets through transfer agreements with the original grantees of the land use rights. Under PRC law, all land to be developed for commercial purposes, such as business, tourism, entertainment and residential housing, must be granted by way of public tender, auction or listing-for-sale. Starting from 31 August 2006, land for industrial use must also be granted by way of public tender, auction or listing-for-sale. Where land use rights are granted by way of public tender, the relevant authorities will consider not only the tender price but also the credit history and qualifications of the developer and its tender proposal. Where land use rights are granted by way of an auction, a public auction is held by the relevant local land bureau and the land use rights are granted to the highest bidder. Where land use rights are granted by way of listing for sale, the relevant local land bureau will announce the conditions for granting the land use rights at designated land transaction centres and the bids submitted by the bidders. The land use rights are granted to the bidder that has submitted the highest bid by the end of the listing-for-sale period. If two or more parties request a competitive bidding, an on-site competitive bidding shall take place and the land use rights are granted to the highest bidder.

Base on the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知), which was jointly promulgated by the Ministry of Land and Resources and the MOHURD and effective on 19 July 2012, all local governments shall strictly enforce the macroeconomic policy on real property market. The grant of real property land shall not exceed the upper limit of area and the grant of two or more bundled parcels of lands or uncleared lands is prohibited. The plot ratio of residential land shall not be less than one. Residential construction projects shall be commenced within one year from the land title delivery date which stipulated in the land allocation decision or land grant contract, and shall be completed within three years from the date of commencement. Inspection of land bidders' qualification shall be strictly implemented to preclude bank loans from being used to pay for the land premium. The competent authority of land and resources shall forbid the land users from participating the land bidding for a certain period if the land users: (i) fail to pay land premium in time; (ii) leave the land idle; (iii) reserve lands for future development or speculation; (iv) commit to a construction scale beyond its actual development capacity; or (v) fail to perform land use contract.

Grantees of land use rights may dispose of the rights granted to them in private sales, subject to the terms and conditions of the contracts and the relevant regulations of the PRC. To the extent permitted by law, we may also choose to acquire land use rights in the secondary market through negotiated transfers. Where the opportunity arises, we may also obtain land use rights by acquiring equity interests of companies or persons that hold the relevant land use rights.

Based on our current development and growth targets, we have sufficient land bank to fulfil our development requirements for the next four to five years. We will continue to search for land sites which meet our criteria.

Pre-construction, Planning and Design

Before we commence construction of our projects, we undergo three key stages, namely, applications for the various government permits, financing and design.

Government Permits

Once we enter into land use rights grant contracts for a parcel of land, we apply for the various certificates, permits and licences that are required for the commencement of the construction and sale of properties, the key ones being the land use rights certificate, the planning permit for construction land, the planning permit for construction works, the permit for commencement of construction works and the pre-sale permit.

Certificates, Permits and Licences

Once we have obtained the rights to develop a parcel of land, we will begin to apply for the various permits and licences that we need in order to begin the construction and sale of our properties:

- land use rights certificate — a certification of the right of a party to use a parcel of land;
- planning permit for construction land — a permit authorising a developer to begin the surveying, planning and design of a parcel of land;
- planning permit for construction works — a certificate indicating government approval for a developer's overall planning and design of the project and allowing a developer to apply for a work commencement permit;
- permit for commencement of construction works — a permit required for commencement of construction; and

- pre-sale permit — a permit authorising a developer to start the pre-sale of properties under development.

If the land use right is acquired by way of grant, the land use rights grant contract will need to be obtained before we can apply for the above mentioned certificates, permits and licences.

A property developer is allowed to commence construction of a property upon receipt of the permit for commencement of construction work which will only be issued after the land use rights certificate, the planning permit for construction land and the planning permit for construction works (together with the permit for commencement of construction works, collectively known as the "four certificates") are obtained.

Financing

Our financing methods vary from project to project and are subject to various limitations imposed by PRC regulations and monetary policies. Our policy is to finance our property development projects through internal funding to the extent practicable so as to keep the level of external funding to a minimum. As required by the State Council, we are required to finance our projects with at least 20% internal funding for ordinary residential properties and at least 30% internal funding for other property development projects. The balance is typically derived from a combination of funding from our shareholders, bank borrowings as well as pre-sale and sale proceeds.

As at 30 June 2019, we had obtained bank borrowings of RMB8,463.5 million from various PRC banks. We believe that our creditworthiness has allowed us to maintain good business relationships with such banks.

Project Design

To achieve distinctive designs and operating efficiency, we typically outsource design work to selected architectural and design firms with whom we have established strong working relationships from past projects. Depending on the type of properties to be developed, we will involve design firms with the relevant expertise in preliminary design work for a project at the site selection and land acquisition stages. When determining the design of a particular property development, we consider factors such as:

- the environment and community surrounding the site;
- the size of the site;
- the advice provided by our professional advisers which include architects, planning experts and sales and marketing personnel;
- the demand for the type and mix of buildings to be developed; and
- the requirements and preferences of our principal anchor tenants.

Our practice of involving architectural and design firms during the early stages of our development process helps to shorten the time it takes for us to complete a project. We typically receive a preliminary design when we are negotiating with the government on the terms of the grant. This enables us to commence construction shortly after the requisite approval to develop a land site has been granted. We believe that the overall time needed to complete the development is therefore reduced.

We select architectural and design firms for each project through a selective bidding process. In making our final selection, we consider their proposed design concepts, their reputation for reliability and quality as well as the price of their proposed services. In our previous projects, we usually limit the bidding process by short-listing five architectural and design firms with whom we enjoy close working relationships.

Our design and operations management departments are responsible for monitoring the progress and quality of the appointed architectural and design firms to ensure that they meet our specifications. They are usually assisted by a third party service provider who will also help supervise the design process. In addition, upon completion of our projects that are built for rental purposes, we generally also render design support to facilitate the fitting-out work for our tenants.

Construction

Construction Work

Our construction work is outsourced to third party construction companies and we typically hire more than one contractor for each project. Save as disclosed below, contractors are selected through a competitive bidding process. Standardised procedures have been established to select the appropriate construction companies to ensure that they meet our standards for quality and craftsmanship. We typically invite a minimum of three qualified construction companies to bid for a construction project through a tender by invitation process.

On 2 October 2009, we entered into a strategic cooperation agreement with China State Construction Engineering Corporation Limited ("CCC") (the "Strategic Cooperation Agreement"), an independent third party construction company. Established in 2007, CCC is a key subsidiary of China State Construction Engineering Corporation, which is a state-owned enterprise that focuses on construction and real estate business in both domestic and overseas markets. Through the Strategic Cooperation Agreement, we believe that our construction projects will benefit from CCC's knowledge and experience gained from their handling of large-scale construction projects. Under the Strategic Cooperation Agreement, the parties agreed to: (i) strengthen the parties' cooperation in the construction of large-scale commercial complexes in the PRC in which we will first consider engaging CCC as the construction company for such projects, and CCC will first consider taking up such projects; (ii) jointly develop a strategy for investigating, planning, designing and constructing future projects both in the PRC and overseas, and (iii) jointly establish "Xiamen Mingfa Group — China State Construction Engineering Corp. Ltd. Strategic Cooperation and Coordination Committee" which will be responsible for coordinating, studying and executing projects and other matters between the parties. Pursuant to the Strategic Cooperation Agreement, in the event CCC and us decide to cooperate on a particular project, we will enter into separate contractual arrangements, in which we will engage CCC as our contractor for that specific project.

We conduct detailed due diligence on the construction companies during the bidding process before entering into construction contracts with them. We examine their track record, industry reputation for quality, professional qualifications, past performance and co-operation, management and quality control systems, financial situation and resources and other relevant information to evaluate the suitability of such contractors. Our senior management personnel are actively involved in the bid assessment and selection process.

At the request of certain clients, fitting-out services may be provided and included as part of the agreed service contract. This procedure is normally performed by independent contractors in accordance with pre-approved interior design plans which accommodate both the design of each specific property as well as relevant regulations in the region. Fitting-out contractors are also selected through a tender process. Our construction contractors and fitting-out contractors must obtain the relevant licences from the MOHURD. To the best of our knowledge, all contractors that we currently employ for our projects possess the necessary qualifications and licences.

The terms of our standard construction contracts provide for progressive payments throughout the construction process, and contain express warranties on construction quality and schedule. We withhold 10% of the contract sum for one year after completion of the construction work to apply against any potential claims arising out of any construction defects. We require our contractors to comply with PRC laws and regulations on the quality of construction projects, as well as our own standards and specifications. Contractors are also subject to our quality control procedures, including examination of materials and supplies, on site inspection and production of progress reports. We do not allow our construction contractors to subcontract or transfer their contractual arrangements with us to any third party without our prior consent.

Our contracts with construction companies contain provisions requiring them to comply with the relevant environmental, labour, safety laws and regulations. Our engineering department together with a third party supervisory company engaged by us will regularly conduct on-site inspections to ensure compliance with such laws and regulations as well as the coverage of any potential risk by relevant insurance policies that we maintain. In the event of any non-compliance or any risk of such, we will ensure that the contractors rectify the situation without any delay. Generally, the terms of such contract provide that we are responsible for any increase in labour costs and any increase in excess of 5% of the agreed costs of construction materials.

Quality Control

We place a high emphasis on the quality of our properties, and have established standard procedures to ensure that the quality of our properties and services complies with the relevant regulations and meets market standards. Such quality control procedures are implemented by relevant functional departments as well as by each construction company. For each property development project, quality inspections and regulatory compliance reviews are carried out by the construction company and construction supervisory companies for such project, our project team in charge as well as our general project management department.

In accordance with PRC laws, we engage the services of PRC-qualified third party construction supervisory companies to supervise the construction of our real estate developments. These construction supervisory companies oversee, under a construction supervision contract, the progress and quality of the construction work of a real estate development throughout the construction phase.

As at 30 June 2019, none of our Board of Directors, their associates or any of our shareholders holding more than 5% of our issued share capital had any interest in or was associated with our five largest contractors.

Procurement

Our tendering and procurement headquarters are primarily responsible for procuring certain specialised equipment such as elevators, air-conditioners and generators, where necessary, from selected suppliers. Our construction contractors are responsible for purchasing the basic building materials such as steel and cement, in accordance with the agreed price range as set out in the supply contracts.

Our tendering and procurement department typically solicits price quotes from at least two prospective suppliers, negotiates the price and other terms with them and finalises the purchase arrangements with the supplier with the better terms by signing price confirmations for regular supplies and executing procurement contracts for major equipment and constructions. Each transaction is initiated by a purchase order from our tendering and procurement headquarters, and the suppliers are asked to deliver the supplies to locations specified by the relevant project companies. We believe our centralized procurement system gives us more bargaining power and better cost control, enabling us to benefit from economies of scale.

To maintain quality control, we employ very strict procedures for selection, inspection and testing of materials. Our project management teams inspect all equipment and materials to ensure compliance with the contract specifications before accepting the materials on site and approving payment. We reject materials which are below standard or do not comply with our specifications and return them to the suppliers.

Over the years, our project management teams have developed good working relationships with our suppliers, which allow us to produce quality products at optimal efficiency and increasingly low costs. These established relationships also help to ensure that supplies are delivered on time.

Sales and Marketing

The operations management department carries out our sales and marketing functions. It is responsible for brand building, market positioning, sales supervision, marketing as well as the leasing and management of our investment properties. Our operations management department conducts detailed market analyses, prepares promotional materials, conducts general promotional campaigns, recommends unit prices and pricing-related policies for our projects and coordinates and monitors our relationship with the media. We provide our sales and marketing staff training on basic knowledge of real estate, sales and marketing, and laws and regulations in relation to the real estate sector.

Our operations management department is involved in our real estate development projects starting from the early stages and provides its input at key steps. When our R&D department identifies a potential project, our operations management department will conduct research on the local property market and study the local government's land policies. Before we decide to acquire land, our operations management department provides us with the results of their research and analysis of the relevant land. During the land acquisition process, our sales and marketing department provides suggestions on the site plan and designs and assists us in the design preparation.

We use various advertising media, including newspapers, magazines, brochures, television, radio, internet, signage posters and outdoor billboards, to market our property developments. We participate in real estate exhibitions to enhance our brand name and promote our property developments projects. We also set up on-site reception centres to display information relating to the relevant real estate development and for certain major projects, off-site reception centres in areas frequented by targeted customers in circumstances where on site reception centres may not be suitable.

We have a selected number of independent third-party sales, business promotion and marketing agencies. When selecting these third-party agencies, we take into account their qualifications and reputation, the qualifications and experience of their professional staff, their past performance and market share, their project proposal, and their allocation of available resources.

Customers

For the years ended 31 December 2016, 2017 and 2018, the percentage of revenue attributable to our five largest customers was less than 30% of our total revenue. As at 30 June 2019, none of our Board of Directors, their associates or any of our shareholders who held more than 5% of our issued share capital had any interest in or was associated with our five largest customers.

Customers' Payment Arrangements

Residential Properties

Payment by customers of the purchase price of our residential properties is due before delivery of each property. Typically, for the first residential property, buyers are required to pay a down payment of no less than 30% of the purchase price upon confirmation of the sale. For second and subsequent properties bought, the down payment will generally be 60% of the purchase price. It is common practice in the PRC for property developers to facilitate bank financing with various domestic banks for the purchasers of their residential properties. In accordance with market practice, property developers are usually required by the banks to guarantee the obligations to repay the loans on the property. The guarantee periods normally last up to 24 months until the property is delivered and building ownership certificate is issued. If a purchaser defaults on the loan, once the property developer repays all debt owed by such purchaser to the mortgagee bank under the loan, the mortgagee bank will assign their rights under the loan and the mortgage to the developer and, after mortgage registration, the developer will have full recourse against the property.

Consistent with industry practice, we do not conduct independent credit checks on our customers, but rely on credit checks conducted by the mortgage bank. As at 30 June 2019, the outstanding guarantees in respect of the residential mortgages of our customers amounted to RMB7,617.2 million. See "Risk Factors — Risks Relating to Our Business — We provide guarantees for mortgages taken out by our customers and if a significant number of these guarantees are called upon, our business, financial condition and results of operations could be materially and adversely affected."

Commercial Properties

The payment method for purchasers of our property sales other than residential units is similar to the above arrangements, except that the down payment is typically 50% of the purchase price and that the purchase price is usually fully paid before delivery.

Completion, Delivery and After Sales Services

We strive to develop quality properties within the time frame specified in any applicable pre-sale or sales contracts. Upon passing inspections by the relevant PRC governmental departments, including planning fire safety and environmental protection, we notify our customers and deliver the properties in accordance with the terms of the relevant sale and purchase agreement, which certifies the completion of construction and the receipt of full payment from our customers. We also assist our customers in obtaining ownership certificates from the relevant PRC governmental departments as well as in other areas related to various title registration procedures and financing, including the provision of information on potential mortgagee banks and the mortgage terms they offer.

In relation to ongoing after-sale customer services, our customer service centre and customer service executive in each city are responsible for handling any complaints and the relevant after-sale services we may provide to our customers and supervising the repair and ongoing maintenance of our developed properties that is carried out by the construction companies that we engage.

Business Development and Property Management

We retain a portion of our commercial complexes for investment purposes. The leasing and promotion of such commercial complexes is handled by our operations management department and Xiamen Mingsheng Investment Management Co., Ltd, and assisted by third party agencies. Xiamen Mingsheng Investment Management Co., Ltd is also responsible for the management of such properties.

PROPERTY MANAGEMENT

In accordance with local regulations, we engage external property management companies to manage properties developed by us on behalf of our customers until the owners committee of the relevant property is established and a new property manager is appointed. We emphasise customer service and effective maintenance services for our completed projects. When selecting property management companies, we consider the qualifications of the candidate companies, the quality of their services, their proposed fees and their ability to introduce us to potential future quality clients. Our staff that are responsible for property management also assist the individual project teams in handover inspections and with the follow-up work required on our completed projects.

With respect to our completed residential property developments, the owners of units in these developments are free to choose their own property management company upon establishment of an owners committee.

In relation to our commercial property projects, the property management is operated by our wholly-owned subsidiaries named Mingsheng.

COMPETITION

The PRC real estate industry is highly competitive. Our major competitors consist of large national and regional real estate developers, including local property developers that focus on one or more of the cities or in provinces that we currently operate in, and to a lesser extent, foreign developers.

In recent years, an increasing number of property developers have commenced real estate development and investment projects in Fujian and Jiangsu provinces as well as other fast growing regions in the PRC. We compete with other property developers on various fronts, including, but not limited to, product and service quality, pricing, financial resources, brand recognition, and our ability to acquire suitable sites. Our competitors, however, may have a better track record, greater financial, marketing and land resources, stronger brand name and greater economies of scale than us in the cities or markets in which we operate. We believe that with our strong presence in Fujian and Jiangsu provinces, our close relationships with the local governments, our low land cost and diversified product portfolio, we are less vulnerable to market changes than our competitors and that we are experienced in responding promptly to the challenges in the PRC property market.

INSURANCE

We maintain insurance policies for some of our properties and assets. We also contribute to social insurance for our employees as required by PRC social security regulations, such as a pension contribution plan, medical insurance plan, unemployment insurance plan and work-related injury insurance plan. We do not, however, in general have insurance coverage against potential losses or damage with respect to our properties developed for sale before their delivery to customers. Neither do we maintain insurance coverage against liability from tortious acts or other personal injuries on our project sites. We believe that this practice is consistent with industry practice in the PRC. The construction companies are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. In addition, there are certain types of losses for which insurance is not available on commercially practicable terms in the PRC, such as losses suffered due to earthquakes, typhoons, flooding, war and civil proceedings.

To help ensure construction quality and safety, we provide a set of standards and requirements in the construction contracts for construction workers to observe during construction. We also engage qualified supervisory companies to oversee construction. Under PRC law, construction companies bear the primary liability for personal injuries, accidents and death arising out of their construction work where such personal injuries, accidents and deaths are caused by the construction companies. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are due to the fault of such owner. Since we have taken the above steps to prevent construction accidents and personal injuries, we expect to be able to defend ourselves as a property owner if a personal injury claim is brought against us. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us and no material personal injury incident has occurred at our project sites.

However, there are risks that we do not have sufficient insurance coverage for losses, damage and liabilities that may arise in our business operations. See "Risk Factors — Risks Relating to our Business — We have limited insurance to cover all potential losses and claims."

INTELLECTUAL PROPERTY RIGHTS

As at 30 June 2019, we own thirteen registered trademarks in the PRC for various categories of business including real estate businesses (real estate leasing, real estate agency and real estate management), construction, architecture, engineering, furniture and non-metal construction. We are also the owner of the domain names "www.ming-fa.com", "mf-thebund.com", "mf-warehouse.com", "mingfagroup.com" and "mingfahotels.com."

ENVIRONMENTAL MATTERS

We are subject to PRC national environmental laws and regulations as well as additional environmental regulations promulgated by local governments. These include the Environmental Protection Law 1989, the Prevention and Environmental Control of Noise Pollution Law 1996, the Environmental Impact Assessment Law 2002 and Regulation on the Administrative of Construction Projects and Environmental Protection 1998. Pursuant to these laws and regulations, each real estate development is required to undergo environmental assessments. Depending on the impact of the project on the environment, an environmental impact assessment report, an environmental impact analysis table or an environmental impact registration form (each an "environmental impact assessment document") has to be submitted by a property developer to the relevant authorities who will then grant a construction permit for the property development. Upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

As at 30 June 2019, none of our PRC subsidiaries had breached any applicable PRC environmental laws and regulations in any material respect, and we are not aware of any material legal proceedings, claims or disputes relating to environmental matters pending or threatened against any of our PRC subsidiaries.

OPERATIONAL AND FINANCIAL CONTROLS

We have implemented strict financial controls in various aspects of our operations to protect our interests. These controls are essential to maintaining our high operational standards. We have six Management Centres to set operational policies and to monitor and control our operations. The centres consist of the Financial Management Centre, Engineering Management Centre, Operation Management Centre, Procurement Management Centre, Administration Management Centre and Internal Audit Management Centre.

Procurement and Construction

All contractors are selected through public tenders. We consider the financial positions, integrity, cost and track record of a contractor before making a decision. We enter into written contracts with the selected contractors which contain cost calculations so as to avoid any future disputes.

Architects' Inspection

We appoint independent licenced architects for every project to inspect the progress of construction. These architects are selected through public tenders. The architects send monthly progress reports with estimated costs to our project companies, and our Engineering Management Centre inspects progress to ensure the projects follow our timelines.

Financial Controls

Accounting policies are set by the Financial Management Centre. All subsidiaries must strictly adhere to these policies to arrange payment, receipt and reporting. Budgetary control has been imposed in every project. The General Managers of the project companies have no authority to overrule the accounting policies.

Internal Audit

The Internal Audit Management Centre is an independent department which reports to the Board of Directors. The members will visit each project company to inspect the operational and financial compliance of the project companies.

LEGAL AND COMPLIANCE

The operation of the Group is subject to various laws and regulations of the PRC and Hong Kong. Since our listing on the HKSE, save as disclosed below, we have not been subject to material fines, penalties or sanctions by national or local authorities.

MATERIAL LITIGATION AND ARBITRATION

We are subject to various legal proceedings and claims that arise in the ordinary course of business. As at 31 December 2018, save as disclosed below, we were not parties to, nor are we aware of, any claims or lawsuits pending or threatened against us that would have a material adverse effect on our results of operations or financial condition.

Dispute Relating to Yangcheng Lake Project

In October 2005, we entered into an agreement with Suzhou Yitong Real Estate Development ("Suzhou Yitong") and Beijing Chengxin Mechanics and Electricity Company Limited (collectively, the "Sellers") to purchase their respective equity interests in Suzhou Yangcheng Lake Hua Qing Real Estate Development Company Limited, a project company. Pursuant to this agreement, we paid the Sellers a deposit of RMB100.0 million. When the Sellers failed to transfer their shares in the project company to us pursuant to the terms of the agreement, we initiated legal proceedings against them to terminate the agreement or, in the alternative, seek specific performance of the agreement. We eventually obtained a judgment from the Higher People's Court of Jiangsu Province for the rescission of the agreement and the return of our deposit with interest. To enforce our judgment, we filed a petition to liquidate Suzhou Yitong, whose appointed liquidator, in turn, petitioned to liquidate the project company. As at the date of this offering circular, these liquidation proceedings were ongoing, and we have not collected any part of the damages awarded. We recorded an impairment provision of RMB100.0 million for the full amount of the deposit in 2008. As at the date of 30 June 2019, no judgment for the appeal was made by People's Court of Suzhou Industry Park.

MANAGEMENT

Our Board currently consists of nine Directors, comprising four Executive Directors, one Non-Executive Director and four Independent Non-Executive Directors.

Executive Directors

Mr. Huang Qingzhu *(Chief Executive Officer)*
Mr. Huang Lianchun
Mr. Huang Li Shui
Mr. Liu Yuwei

Non-Executive Director

Mr. Wong Wun Ming *(Chairman)*

Independent Non-Executive Directors

Mr. Lau Kin Hon
Mr. Chu Kin Wang Peleus
Dr. Lam, Lee G.
Mr. Chan Sing Lai

EXECUTIVE DIRECTORS

Mr. HUANG Qinzhou (黃慶祝), aged 49, 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 Manga 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 Manga 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 47, 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 Manga Group Nanjing Real Estate Development Co., Ltd. from 2002 to 2009 and a general manager of Manga Group Co., Ltd. from 1998 to 2008. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qinzhou and Mr. Huang Li Shui, our Directors.

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 Manga Group Nanjing Construction Materials Development Co., Ltd. from 2003 to 2008 and as a director and a general manager of Xiamen Manga Real Estate Development Co., Ltd. from 1997 to 2007. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qinzhou and Mr. Huang Lianchun, our Directors.

Mr. LIU Yuwei (劉煜煒), aged 48, was previously the executive president of Beijing Yongda Certified Tax Agent Co., Ltd., the general manager of Xiamen Chuhan Tax Agent Firm (廈門楚瀚稅務師事務所) and Xiamen Chuhan Accounting Firm (廈門楚瀚會計師事務所), as well as the consultant for various medium and large-sized real estate enterprises, including Jianming (Xiamen) Real Estate Development Co., Ltd. (建明(廈門)房地產開發有限公司), Tai'an Hengdi Yudou Real Estate Development Co., Ltd. (泰安恒地玉都房地產開發有限公司) and Nanzhong Investment Group (Xiamen) Co., Ltd. (南中投資集團(廈門)有限公司). He was responsible for financial management and compliance matters.

Mr. Liu graduated from Jimei Finance College (集美財政專科學校) in July 1991 majoring in financial credit for infrastructure works and qualified as an economist in 1996. After graduation, he had served in the taxation authority in Xiamen for many years and was mainly engaged in work such as financial audit and management for infrastructure and real estate enterprises. Mr. Liu has over 20 years of experience in the management of and consultation for various medium and large-sized enterprises in China, in particular extensive management and consultation experience in internal control, accounting and taxation, infrastructure and real estate industries.

NON-EXECUTIVE DIRECTOR

Mr. WONG Wun Ming (黃煥明), aged 56, was appointed as our Chairman and Executive Director on 27 November 2007 and was then re-designated as the Non-executive Director on 15 July 2019. 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 Qinzhou by establishing Xiamen Mingfa Real Estate Development Co., Ltd. in Xiamen, Fujian Province. Mr. Wong is a brother of Mr. Huang Qinzhou, Mr. Huang Lianchun and Mr. Huang Li Shui, the Executive Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Kin Hon (劉建漢), aged 52, was appointed as an Independent Non-Executive Director on 19 March 2013. Mr. Lau is a practicing solicitor in Hong Kong. Mr. Lau 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 is an executive director of CL Group (Holdings) Limited (Stock code: 8098) and was a non-executive director of Evershine Group Holdings Limited (Previous name: TLT Lottotainment Group Limited) (Stock code: 8022) from 4 March 2013 to 2 October 2013 and an independent non-executive director from 19 April 2005 to 30 May 2005 and a non-executive director from 31 May 2005 to 31 December 2018 of Lisi Group (Holdings) Limited (Previous name: Magician Industries (Holdings) Limited) (Stock code: 526), all of which are listed on HKSE.

Mr. CHU Kin Wang Peleus (朱健宏), aged 55, was appointed as an Independent Non-Executive Director with effect from 1 November 2016. Mr. Chu 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 graduated from the University of Hong Kong with a master's degree in business administration in December 1998. Since December 2008, Mr. Chu 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 HKSE. During the period from September 2005 to March 2007, Mr. Chu was an executive director responsible for financial reporting and compliance matters of Global Mastermind Capital Limited (stock code 0905), a company principally engaged in investing in listed and unlisted companies in various countries and listed on the Main Board of HKSE, and which was known as Haywood Investments Limited during the relevant period. Mr. Chu was appointed as a non-executive director of Perfect Group International Holdings Limited (stock code 3326) from August 2015 to March 2017, a company listed on the Main Board of HKSE.

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

- Madison Wine Holdings Limited (stock code: 8057) since September 2015.
- National Agricultural Holdings Limited (stock code: 1236) from June 2015 to September 2015.
- Telecom Service One Holdings Limited (stock code: 8145) since May 2013 to December 2017.
- SuperRobotics Limited (formerly known as SkyNet Group Limited) (stock code: 8176) since March 2012.
- China First Capital Group Limited (stock code: 1269) since October 2011.
- Flyke International Holdings Ltd. (stock code: 1998) since February 2010.

- Huayu Expressway Group Limited (stock code: 1823) since May 2009.
- Tianli Holdings Group Limited (stock code: 0117) since April 2007.
- Sustainable Forest Holdings Limited (stock code: 0723) from January 2008 to August 2010.
- China Huishan Dairy Holdings Company Limited (stock code: 6863) from June 2017 to December 2017.
- PT International Development Corporation Limited (BM) (stock code: 372) from March 2017 to September 2017.

Dr. LAM, Lee G. (林家禮), aged 60, is 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, the Hong Kong Council on Smoking and Health, the Council on Professional Conduct in Education (CPC), 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 (UNESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Chairman of the Permanent Commission on Economic and Financial Issues of World Union of Small and Medium Enterprises (WUSME), a Board member of Pacific Basin Economic Council (PBEC), a member of the Hong Kong Trade Development Council Belt and Road Committee 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.

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/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.

Dr. Lam is a Solicitor of the High Court of Hong Kong, a former member of the Hong Kong Bar, an Honorary Fellow of CPA Australia, a Fellow of CMA Australia, a Fellow of the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Fellow of the Hong Kong Institute of Directors, and an Honorary Fellow of the University of Hong Kong School of Professional and Continuing Education (HKU SPACE).

Dr. Lam is currently an independent non-executive director of each of CSI Properties Limited, Glorious Sun Enterprises Limited, Vongroup Limited, Mei Ah Entertainment Group Limited, Elife Holdings Limited, Haitong Securities Co., Ltd. (a company also listed on Shanghai Stock Exchange), Huarong Investment Stock Corporation Limited, Hua Long Jin Kong Company Limited (formerly known as Highlight China IoT International Limited), Kidsland International Holdings Limited and Hsin Chong Group Holdings Limited; and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited, China LNG Group Limited,National Arts Entertainment and Culture Group Limited, China Shandong Hi-Speed Financial Group Limited and Tianda Pharmaceuticals Limited (the shares of all of the aforementioned companies are listed on The Stock Exchange of Hong Kong Limited). He is also an independent non-executive director of each of China Real Estate Group (formerly known as Asia-Pacific Strategic Investments Limited), Top Global Limited and China Medical (International) Group Limited, and a non-executive director of Singapore eDevelopment Ltd. (the shares of all of the aforementioned companies are listed on Singapore Exchange). Dr. Lam is also an independent director of Sunwah International Limited (a company listed on Toronto Stock Exchange); an independent non-executive director of AustChina Holdings Limited (a company listed on Australian Securities Exchange), and a non-executive director of Adamas Finance Asia Limited (a company listed on London Stock Exchange).

Dr. Lam was a non-executive director of each of UDL Holdings Limited (now known as DTXS Silk Road Investment Holdings Company Limited) from 9 October 2015 to 8 December 2015 and 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 Hong Kong 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.

Mr. CHAN Sing Lai (陳成禮), aged 56, is the founder and owner of Stanley S.L. Chan & Co. Certified Public Accountants (Practising). He is also the owner of a trust company. Mr. Chan has over 30 years of experience in accounting and finance. From September 2009 to 2011, Mr. Chan was the director and chief financial officer of Asia Pacific of Equity Trust Corporate Management (HK) Limited. From August 1994 to December 2008, Mr. Chan served in various subsidiaries of Gold Peak Industries (Holdings) Limited, a company listed on the Main Board of the HKSE (stock code: 40) in various roles including general manager and director, and assistant financial controller. Mr. Chan graduated from The Hong Kong Polytechnic University with a Professional Diploma in Accountancy and received his Master of Business Administration (Executive) from the City University of Hong Kong. Mr. Chan is a fellow member of Hong Kong Institute of Certified Public Accountants and The Chartered Association of Certified Accountants.

SENIOR MANAGEMENT

Mr. POON Wing Chuen (潘永存), aged 54, is our Chief Financial Officer and Company Secretary and his responsibilities are to oversee the finance, treasury, accounting, investor relations and company secretarial functions of the Group. He joined our Group in May 2008 and 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.

Ms. HAO Jin (郝晉), aged 42, is our Vice President and 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.

COMPANY SECRETARY

Mr. POON Wing Chuen (潘永存), aged 54, our Chief Financial Officer, is the Company Secretary and one of the two authorized representatives of the Company in Hong Kong. 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. Mr. Poon was appointed as the Company Secretary of the Company on 12 September 2008. Mr. Poon has confirmed that he has taken no less than 15 hours of relevant professional trainings during 2014 and that he has complied with Rule 3.29 of the Listing Rules in relation to professional training during the year under review.

AUDIT COMMITTEE

Our Company has set up an audit committee (the "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 and performing other duties and responsibilities as assigned by the Board.

The chairperson of the Audit Committee is Mr. Chu Kin Wang Peleux. The other members are Mr. Lau Kin Hon and Dr. Lam Lee G. All are independent non-executive Directors of our Company.

REMUNERATION COMMITTEE

Our Company has set up a remuneration committee (the "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 remuneration and to ensure none of the Directors can determine their own remuneration.

The chairperson of the Remuneration Committee is our independent non-executive director Mr. Lau Kin Hon. The other members are Mr. Chu Kin Wang Peleus and Mr. Wong Wun Ming.

NOMINATION COMMITTEE

Our Company has set up a nomination committee (the "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.

The chairperson of the Nomination Committee is Mr. Wong Wun Ming. The other members are Mr. Lau Kin Hon and Mr. Chu Kin Wang Peleus.

RISK MANAGEMENT COMMITTEE

Our Company has set up a risk management committee (the "Risk Management Committee") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Risk Management Committee are to formulate risk management procedures and standards for candidates for Directors and senior management, to conduct preliminary review of the Group's risk management strategy and policy and to recommend suitable risk management solution to prospective risk issues.

The chairperson of the Risk Management Committee is Mr. Chan Sing Lai. The other members are Mr. Lau Kin Hon and Dr. Lam Lee G.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders required to be kept by the Company under section 336 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) shows that as at 30 June 2019, the Company has been notified of the following substantial shareholders' interests and short positions in the shares or underlying shares of the Company, being interests of 5% or more of the Company's issued share capital.

Name of shareholders	Capacity	Long/short position	Number of ordinary shares held	Approximate percentage in the Company's issued share capital
Mr. Wong Wun Ming(1)(3)	Beneficial owner Interest of a controlled corporation	Long	5,100,000,000	83.70%
Ms. Chen Bihua(2)(3)	Interest of spouse	Long	5,100,000,000	83.70%
Haitong Securities Co., Ltd.(5)	Interest of a controlled corporation	Long	1,000,000,000	16.41%

Notes:

(1) 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.

(2) 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.

(3) Mr. Wong Wun Ming and Ms. Chen Bihua, being controlling shareholders of the Company, have pledged 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.

(4) 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 the date of this offering circular, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance as having an interest in 5% or more of, or any short position in, the issued share capital of the Company.

RELATED PARTY TRANSACTIONS

We currently engage in, and expect from time to time in the future to engage in, financial and commercial transactions with our subsidiaries, associates, and shareholders. All such transactions are conducted on an arm's length and commercial basis and in accordance with the applicable laws and rules.

See Note 41 to the consolidated financial statements as of and for the years ended 31 December 2016 and Note 40 to the consolidated financial statements as of and for the years ended 31 December 2017 and 2018, included elsewhere in this offering circular, for more details and Note 21 to the condensed consolidated interim financial statements as of and for the six months ended 30 June 2018 and 2019, included elsewhere in this offering circular, for more details.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. As of 30 June 2019, our total external borrowings amounted to RMB8,463.5 million, respectively. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC Project Loan and Working Capital Loan Agreements

Certain of our PRC subsidiaries have entered into project and working capital loan agreements with various PRC banks, including The Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, China Everbright Bank, Xiamen Bank Jiangsu Bank, Xiamen International Trust Co., Ltd. and China Minsheng Bank. Most of these loans are project loans to finance the construction of our projects and typically have tenors ranging from 24 to 60 months, which generally corresponds to the construction periods of the particular projects. Working capital loans are used to finance the operations of completed investment properties, including cash flow and goods procurement. Our project loans and working capital loans are usually secured by land use rights and properties and, in some cases, are guaranteed by certain of our other PRC subsidiaries. Certain of our project loans require us to prepay the loan if a certain percentage of GFA of the relevant project has been delivered.

As at 30 June 2019, investment properties of the Group with net book value of approximately RMB10,949.0 million (31 December 2018: approximately RMB10,693.0 million), land use rights of approximately RMB17,399.4 million (31 December 2018: approximately RMB17,818.7 million), completed properties held for sale of approximately RMB13,339.0 million (31 December 2018: approximately RMB10,314.2 million), properties under development of approximately RMB16,341.7 million (31 December 2014: approximately RMB951.6 million), completed properties held for sale of approximately RMB13,339.0 million (31 December 2018: RMB16,883.9 million), other non-current assets of approximately RMB6,790.7 (31 December 2018: RMB6,910.6 million) and restricted cash of approximately RMB419.5 million (31 December 2018: approximately RMB429.6 million) was deposited in certain banks as security for certain borrowings.

Interest

The principal amount outstanding under these loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. The working capital loans generally amortize on a straight line basis over their tenors. As of 31 December 2018, the weighted average borrowing rate was approximately 9.53% per annum (2017: 8.94%).

Covenants

Certain of our PRC subsidiary borrowers have agreed under these loans, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;

- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;

- incur any material indebtedness;

- alter the nature or scope of their business operations in any material respect;

- distribute dividends before fully repay the loan; and

- use revenue from relevant projects for purposes other than repaying the loan, project expenses and other permitted purposes.

In addition, certain of our PRC loans require us to deposit the sales income in a special account and prepay the relevant loan if a certain percentage of GFA of the relevant project has been delivered.

Events of Default

These loans contain certain customary events of default, including insolvency and breaches of the terms of the loan agreements. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Contingent liabilities

As at 30 June 2019, the contingent liabilities of the Group were approximately RMB7,617.1 million (31 December 2018: approximately RMB6,904.8 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. In addition, the Group provided guarantee for the bank loans granted to the associated companies and a joint venture.

The 2020 15% Bonds

On 10 January 2019, we entered into a placing agreement (as amended and supplemented from time to time, the "2019 Placing Agreement") with Head & Shoulders Securities Limited as placing agent pursuant to which we issued 15% Bonds due 2020 in an aggregate principal amount of US$200.0 million.

Interest

The 2020 15% Bonds bear an interest rate of 15.0% per annum payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the terms and conditions of the Bonds in the 2019 Placing Agreement contained certain covenants pursuant to which we 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 15% 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.

The 2019 11% Bonds

On 11 January 2018, we entered into a placing agreement (as amended and supplemented from time to time, the "2018 Placing Agreement") with Head & Shoulders Securities Limited as placing agent pursuant to which we issued 11% Bonds due 2019 in an aggregate principal amount of US$200.0 million.

Interest

The 2019 11% Bonds bear an interest rate of 11.0% per annum payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the terms and conditions of the Bonds in the 2018 Placing Agreement contained certain covenants pursuant to which we 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 2019 11% 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.

The 2020 11% Bonds

On 12 May 2017, we 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 we issued 11% Bonds due 2020 in an aggregate principal amount of US$220.0 million.

Interest

The 2020 11% Bonds bear an interest rate of 11.0% per annum payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the terms and conditions of the Bonds in the 2017 Placing Agreement contained certain covenants pursuant to which we 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 11% 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.

Events of Default

The 2017 Placing Agreement contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2020 11% 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 11% Bonds held by such bondholder to be immediately due and payable at principal amount plus any accrued interest to the date of repayment.

Change of Control

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 us 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.

The 2019 9% Bonds

On 15 December 2016, we entered into a placing agreement (as amended and supplemented from time to time, the "2016 Placing Agreement") with Haitong International Securities Company Limited as placing agent pursuant to which we issued 9% Bonds due 2019 in an aggregate principal amount of US$60.0 million.

Guarantee

The obligations pursuant to the 2019 9% Bonds are guaranteed under certain deed of guarantee by Mingfa Group Company Limited as corporate guarantor (the "Corporate Guarantor"), and by Mr. Huang Lianchun, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Wong Wun Ming as personal guarantors (the "Personal Guarantors") certain deed of guarantee, jointly and severally for the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2019 9% Bonds.

Collateral

In order to secure the obligations under the 2019 9% Bonds, Galaxy Earnest Limited, being our controlling shareholder, charged and deposited 1,000,000,000 of our ordinary shares to Haitong International Securities Company Limited as security agent.

Interest

The 2019 9% Bonds bear an interest rate of 9.0% per annum payable quarterly in arrears.

Covenants

Subject to certain conditions and exceptions, the terms and conditions of the Bonds in the 2016 Placing Agreement contained certain covenants pursuant to which we 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 2019 9% 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;

- not to create, permit to subsist or have outstanding any security interest upon the whole or any part of our property, assets or revenues, present or future; and

- not to incur any further indebtedness which does not exist on the first issue date, until and unless approved by an extraordinary resolution passed by the meeting of bondholders.

Events of Default

The 2016 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 or the Corporate Guarantor, bankruptcy of any of the Personal Guarantors, cessation of all or a material part of our business, cross default and other events of default specified in the 2016 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.

Change of Control

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 us 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.

TERMS AND CONDITIONS OF THE BONDS

The issue of US$220,000,000 15.0 per cent. bonds due 2021 (the ***Bonds***) was authorised by a resolution of the board of directors of Mingfa Group (International) Company Limited (明發集團(國際)有限公司) (the ***Issuer***), an exempted company incorporated in the Cayman Islands with limited liability and listed on The Stock Exchange of Hong Kong Limited (Stock code 846) (the ***HKSE***), passed on 6 January 2020. These terms and conditions (the ***Conditions***) are to be attached to or form part of the Bonds (with amendments thereto as the parties hereto agree). A copy of the fiscal agency agreement dated on or about 15 January 2020 (the ***Issue Date***) relating to the Bonds between the Issuer, Haitong International Securities Company Limited as fiscal agent, as CMU lodging agent, as registrar (the ***Registrar***), as initial principal paying agent (the ***Principal Paying Agent***), as transfer agent (the ***Transfer Agent***) and any other agents named in it (the ***Fiscal Agency Agreement***), is available for inspection during usual business hours at the specified offices of the Principal Paying Agent. The Agents means the Principal Paying Agent and any other agent or agents appointed from time to time with respect to the Bonds.

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

The Bonds are issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

The Bonds are represented by registered certificates (***Certificates***) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder. In the event that there are any discrepancies between the provisions of the Certificates and these Conditions, the provisions of the Certificates shall prevail.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the ***Register***). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, ***Bondholder*** and (in relation to a Bond) ***holder*** mean the person in whose name a Bond is registered.

2. TRANSFERS OF BONDS AND CERTIFICATES

(a) **Transfer**: A holding of Bonds may, subject to Conditions 2(d) and 2(e), be transferred in whole or in part in the specified denomination as provided by Condition 1 upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any Bondholder upon request.

(b) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within five (5) business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), business day means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer or Exercise Free of Charge**: Certificates, on transfer, exercise of an option or redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Bondholder of any tax or other governmental charges that may be imposed in relation to them (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require); (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the relevant Agent (after consultation with the Issuer if so required) being satisfied that the regulations concerning transfer of the Bonds have been complied with.

(d) **Closed Periods**: No Bondholder may require the transfer of a Bond to be registered (i) during the period of 7 days ending on (and including) the due date for redemption of that Bond, (ii) after any such Bond has been called for redemption, or (iii) during the period of seven days ending on (and including) any Record.

(e) **Regulations**: All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds scheduled to the Fiscal Agency Agreement. Each of the Issuer and the Registrar may by agreement change the regulations from time to time. A copy of the current regulations will be made available for inspection upon prior written request during usual business hours at the specified office of the Transfer Agent.

3. STATUS AND PRIORITY

The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

4. COVENANT

4.1 Financial Covenant

(a) The Issuer shall ensure that the ratio of Consolidated Net Debt to Book Equity shall, at any time, be equal to or less than 110 per cent.

(b) The financial covenant set out in Condition 4.1(a) above shall be calculated in accordance with the Accounting Principles and confirmed by the Issuer's compliance certificate delivered pursuant to Condition 4.2.

In these Conditions:

Accounting Principles means generally accepted accounting principles in Hong Kong.

Book Equity means the total assets less the aggregate of: (a) current liabilities; and (b) long term liabilities, each such item as shown on the consolidated balance sheet of the Issuer.

Borrowings means:

(a) monies borrowed;

(b) any amount raised by acceptance under any acceptance credit facility or by any bill discounting facility (or dematerialised equivalent);

(c) any amount outstanding pursuant to any note purchase facility, the issue of redeemable shares which are redeemable (other than at the option of the Issuer) before any repayment date or the issue of bonds (other than performance bonds issued by the Issuer or any of its Subsidiaries), notes, debentures, loan stock or any similar instrument or any finance or capital lease; or

(d) any amount outstanding under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, excluding trade payables to suppliers incurred in the ordinary and usual course of business.

Consolidated Debt means the aggregate amount of all obligations of the Issuer or, as the case may be, any of its Subsidiaries for or in respect of its Borrowings, or (unless the liability arises in connection with an item already treated as Consolidated Debt) in respect of guarantees and indemnity for Borrowings, or in respect of guarantee and indemnity granted in respect of Borrowings of third parties, excluding financial guarantee for mortgage facilities for purchasers of properties of the Issuer and its Subsidiaries.

Consolidated Net Debt means the Consolidated Debt minus non-restricted cash and restricted cash.

Indebtedness means, with respect to any person or entity at any date of determination (without duplication), (i) all indebtedness of such person or entity for borrowed money, and (ii) all obligations of such person or entity evidenced by bonds, debentures, notes or other similar instruments, provided that, in the case of both (i) and (ii), such indebtedness or obligation, as the case may be, would appear as a liability upon a balance sheet of the specified person or entity prepared in accordance with the accounting principles applicable to it.

4.2 Provision of Information

For so long as any Bonds remains outstanding, the Issuer shall supply to the Bondholders a copy of the Compliance Certificate within 7 Business Days of the Issuer publishing its annual and semi-annual financial statements on the HKSE website.

In these Conditions:

Compliance Certificate means a certificate issued by the Issuer (i) signed by at least one director of the Issuer, (ii) setting out (in reasonable detail) computations as to compliance with the financial covenants in Condition 4 and (iii) confirming that No Event of Default (as defined in Condition 9) has occurred and is continuing;

PRC means the People's Republic of China which, for the purposes of these Conditions, shall not include Hong Kong, Macau and Taiwan;

Subsidiary means, in relation to any company or corporation, a company or corporation:

(a) which is controlled, directly or indirectly, by the first mentioned company or corporation;

(b) more than half of the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or

(c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or control the composition of its board of directors or equivalent body;

US$ or ***USD*** means the official currency of the United States of America.

4.3 Maintenance of listing

(a) The Issuer will use best endeavours to maintain the listing of the Issuer on the HKSE for as long as any Bond is outstanding and pay all fees and supply any and all documents, information and undertakings and publish all announcements or other material that may be necessary or advisable for such purpose.

(b) The Issuer will use best endeavours to resume trading of shares in the Issuer on the HKSE for as long as any Bond is outstanding.

(c) The Issuer will use best endeavours to maintain the listing of the Bonds on the Singapore Exchange Security Trading Limited (SGX-ST) for so long as any Bond is outstanding and pay all fees and supply any and all documents, information and undertakings and publish all announcements or other material that may be necessary or advisable for such purpose.

4.4 Permitted Security Documents

On or after the first Issue Date and so long as any Bond is outstanding, the Issuer and/or any of its Subsidiaries may enter into any documents to create charges, liens, encumbrances or other security interests or third party rights or interests over the assets of the Issuer and/or any of its Subsidiaries (the ***Permitted Security Documents***) as security for any bonds or notes issued by the Issuer on or after the first Issue Date, provided that the Issuer and/or if Subsidiaries shall procure the holder(s) of such bonds or notes to execute an intercreditor agreement with the Bondholder (or its representative) so that the Bondholder be entitled to the benefits of the Permitted Security Documents as if it were a direct party thereto and rank *pari passu* with such holders of the bonds and notes thereunder.

5. INTEREST

Each Bond bears interest on its outstanding principal amount from and including its issue date at the rate of 15.0 per cent. per annum (the ***Interest Rate***), payable semi-annually in arrear on 15 July 2020 and 13 January 2021 (each an ***Interest Payment Date***). If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day seven calendar days after the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed (the ***Day Count Fraction***). In these Conditions, the period beginning on and including the issue date of each Bond and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an ***Interest Period***.

Interest in respect of any Bond shall be calculated per US$1,000 in principal amount of the Bonds (the ***Calculation Amount***). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If the Issuer fails to pay any amount due on the due date under these Conditions, interest shall accrue on the overdue amount from and including the initial due date to but excluding the date on which the payment of such overdue amount is made in full at a rate of 10 per cent. per annum above the Interest Rate calculated on the basis of Day Count Fraction.

In this Condition 5, the expression ***business day*** means a day (other than a Saturday, Sunday or public holiday) upon which commercial banks and foreign exchange markets are generally open for business and settlement of USD payments in Hong Kong.

6. REDEMPTION AND PURCHASE

(a) **Final Redemption**: Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 13 January 2021 (the ***Maturity Date***). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Change of Control Event**: Following the occurrence of a Change of Control Event, the holder of any Bond will have the right (the ***Put Right***), at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined below in this Condition 6(d)) at 101 per cent. of their principal amount, together in each case with accrued interest to (but excluding) the Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of the Issuer set out in Condition 14 a duly completed and signed notice of redemption, in the form set out in Schedule 3 or such other form as may be determined by the Issuer, obtainable from the specified office of the Issuer (a ***Put Exercise Notice***) set out in Condition 14 by not later than 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 14.

(c) The ***Put Settlement Date*** shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

(d) A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

(e) Immediately after the Change of Control Event occurs or, if later, after the Issuer becomes aware of the Change of Control Event, the Issuer shall procure that notice regarding the Change of Control Event shall be delivered to the holders in writing (in accordance with Condition 15) (the ***Change of Control Notice***) stating:

  (i) the Put Settlement Date;

  (ii) the date of the occurrence of the Change of Control Event and, briefly, the events causing, as applicable, the Change of Control Event;

  (iii) the date by which the Put Exercise Notice must be given;

  (iv) the redemption amount;

  (v) the names and addresses of all Paying Agents;

(vi) the procedures that holders must follow and the requirements that holders must satisfy in order to exercise the Put Right;

(vii) that a Put Exercise Notice, once validly given, may not be withdrawn; and

(viii) if the Issuer has determined that the Bondholders shall submit a notice different from the form of Put Exercise Notice set out in Schedule 3 to the Conditions, the form of notice which the Bondholders must submit.

In this Condition 6(e):

a ***Change of Control Event*** shall occur if Galaxy Earnest Limited ceases to be a "controlling shareholder" (as defined under the Listing Rules) of the Issuer.

control means:

(i) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to, directly or indirectly:

(A) cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general meeting of the company;

(B) appoint or remove all, or the majority, of the directors or other equivalent officers of the company; or

(C) give directions with respect to the operating and financial policies of the company with which the directors or other equivalent officers of the company are obliged to comply; or

(ii) the holding beneficially of more than 50% of the issued capital of the company (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital).

(f) **Notice of Redemption**: All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6 and any Change of Control Notice given by the Issuer pursuant to Condition 6(e)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(g) **Purchase**: The Issuer and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) or 1.

(h) **Cancellation**: All Certificates representing Bonds purchased by or on behalf of the Issuer or its Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7. PAYMENTS

(a) Method of Payment:

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) by transfer to the registered account of the Bondholder.

(ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the ***Record Date***). Payments of interest on each Bond shall be made in USD by transfer to the registered account of the Bondholder.

(iii) For the purposes of this Condition 7(a), a Bondholder's ***registered account*** means the USD account maintained by or on behalf of it with a bank that processes payments in USD, details of which appear on the Register at the close of business on the fifth Payment Business Day before the due date for payment.

(iv) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

(b) **Payments subject to Fiscal Laws**: Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

(c) **Payment Initiation**: Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The Principal Paying Agent, the Registrar, and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Paying Agents and Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders in accordance with Condition 14.

(e) **Delay in payment**: Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) **Payment Business Days**: If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 7, ***Payment Business Day*** means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of USD in Hong Kong, and the place where payment is to be made by transfer to an account maintained with a bank in USD and (if surrender of the relevant Certificate is required) the relevant place of presentation.

(g) **Singapore Agents**: For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the global certificate for the Bonds is exchanged for definitive certificates, the Issuer shall appoint and maintain a paying agent in Singapore, where the definitive certificates in respect of the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the global certificate for the Bonds is exchanged for definitive certificates, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates including details of the paying agent in Singapore. The Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000, to be traded in a single transaction, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

8. TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong, Singapore, the Cayman Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

If any deduction or withholding is required by law in any jurisdiction (including without limitation Hong Kong, Singapore, the Cayman Islands or the PRC), the Issuer shall pay such additional amounts (***Additional Tax Amounts***) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond under the following circumstances:

(a) **Other connection**: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the applicable jurisdiction imposing the withholding or deduction; or

(b) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.

Relevant Date in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

9. EVENTS OF DEFAULT

If any of the following events (***Events of Default***) occurs, then any Bondholder may, by written notice to the Issuer at its address set out in Condition 14 declare any Bond held by it to be immediately due and payable whereupon the same shall immediately become due and payable at its principal amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind:

(a) Non-Payment:

There is a failure to pay the principal of or any premium or interest on any of the Bonds when due except where the failure to pay is caused by administrative or technical error and such payment is paid within five (5) Business Days from its due date; or

(b) Breach of financial and other covenants:

Any requirement of Condition 4 is not satisfied and is not remedied within thirty (30) days; or

(c) The breach of other obligations:

The Issuer breaches or does not comply with any provision of the Bonds (except for Conditions 9(a) and 9(b)) unless the non-compliance:

(i) is capable of remedy; and

(ii) is remedied within twenty-eight (28) days of the Issuer becoming aware of the failure to comply; or

(d) Cross default:

Any present or future indebtedness (whether actual or contingent) of the Issuer for or in respect of moneys borrowed or raised:

(i) becomes, or becomes capable of being declared, due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or

(ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period or the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised.

No Event of Default will occur under this Condition 9(d) if the aggregate amount of the relevant indebtedness, guarantees and indemnities falling within paragraphs (i) and (ii) above is less than US$50,000,000 (or its equivalent in any other currency or currencies); or

(e) Insolvency of the Issuer:

(i) The Issuer is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due, suspends making payments on all or a material part of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to deferring, rescheduling or making other adjustments to all or a material part of its indebtedness; or

(ii) A moratorium is declared in respect of all or a material part of the indebtedness of the Issuer; or

(f) Insolvency proceedings:

(i) An order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Issuer, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations and except, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation whereby the undertaking and assets of the Issuer are transferred to or otherwise vested in the Issuer or the Issuer's other Subsidiaries; or

(ii) A liquidator, receiver, administrator, administrative receiver, compulsory manager, provisional supervisor or other similar officer is appointed in respect of all or a material part of the assets of the Issuer and such appointment is not discharged within 14 days of commencement; or

(iii) The Issuer makes a general assignment or an arrangement or composition with or for the benefit of relevant creditors in respect of all or a material part of its debts; or

(iv) This Condition 9(f) shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 14 days of commencement; or

(g) Creditors' process:

Any expropriation, attachment, sequestration, distress or execution affecting any material property, assets or revenues of the Issuer which would result in a Material Adverse Effect; or

(h) Unlawfulness:

It is or becomes unlawful for the Issuer to perform any of its obligations under the Transaction Documents; or

(i) Cessation of business:

The Issuer suspends or ceases to carry on all or a material part of its business (or the Group, taken as a whole, suspends or ceases to carry on all or a material part of its business); or

(j) Transaction Document:

Any Transaction Document becomes void, avoided, illegal, invalid, unenforceable or limited in its effect; or

(k) Appropriation:

A Governmental Agency compulsorily acquires all or a material part of the Issuer's assets; or

(l) Breach of laws and regulations:

Any breach of any laws, regulations or any rules governing the listing of securities to which the Issuer is bound and such breach is reasonably likely to have a Material Adverse Effect; or

(m) Change of constitutional documents

Any change is made to the constitutional documents of the Issuer which is reasonably likely to materially and adversely affect the rights of the Bondholders under the Transaction Documents; or

(n) Change of business:

The Group engages in or conducts any business which materially differs from the core business of the Group carried on as at the Issue Date without the prior approval of an Extraordinary Resolution; or

(o) Listing:

(i) The shares of the Issuer ceases to be listed on the HKSE.

(ii) The Bonds ceases to be listed on the SGX-ST.

In this Condition 9:

Group means the Issuer and its Subsidiaries from time to time.

Governmental Agency means any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any stock exchange or any self-regulatory organisation established under statute).

Material Adverse Effect means a material adverse effect on (a) the business, operations, property, condition (financial or otherwise) or prospects of the Issuer, or the Group taken as a whole; (b) the ability of the Issuer to perform its obligations under the Transaction Documents to which it is a party; or (c) the validity or enforceability of these Conditions.

10. PRESCRIPTION

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Registrar or any Transfer Agent for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as (a) the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice) and (b) the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

(a) **Meetings of Bondholders**: Schedule 1 to these Conditions contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if requested to do so by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more Bondholders holding (given there are more than one Bondholder) and representing a more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting for a lack of quorum, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable in respect of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more Bondholders holding (given there are more than one Bondholder) and representing not less than 66 per cent., or at any adjourned meeting for a lack of quorum, not less than 33 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

(b) **Modification of Agreements and Deeds**: The Issuer may, without the consent of the Bondholders, to (i) modify any of these Conditions that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification, and any waiver or authorisation of any breach or proposed breach, of any of these Conditions that is in the opinion of the Issuer not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable thereafter.

13. RELEVANT ADDRESS IN HONG KONG

The address for the deposit of the Transfer Form, for presentation and surrender of any Certificate and for all such other purposes as are so specified in these Conditions will be Unit 8, 23/F, South Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong, or such other address in Hong Kong as may be notified by the Issuer to the Bondholder in writing pursuant to Condition 15 from time to time.

14. NOTICES

Notices to the holders of Bonds shall be validly given if mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, Sunday or public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

15. FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Bonds.

16. GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Bonds are governed by, and shall be construed in accordance with, the laws of Hong Kong.

(b) **Jurisdiction**: The courts of Hong Kong are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds (Proceedings) may be brought in the courts of Hong Kong. Each party irrevocably submits to the non-exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) **Agent for Service of Process**: The address for service of process in respect of the Issuer in any Proceedings in Hong Kong shall be Unit 5–6, 7F, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Issuer has appointed Central Dynamic Secretarial Limited to receive service of process in any Proceedings in Hong Kong. If for any reason such address changes, the Issuer shall provide a new address in Hong Kong or forthwith appoint an agent for service of process in Hong Kong.

(d) **Independence and Waiver of Immunity**: The Issuer has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

Schedule 1
Provisions for meetings of Bondholders
Interpretation

1. In this Schedule:

1.1 references to a meeting are to a meeting of Bondholders and include, unless the context otherwise requires, any adjournment;

1.2 ***agent*** means a proxy or a representative;

1.3 ***Extraordinary Resolution*** means a resolution passed at a meeting duly convened by a majority of at least 75 per cent. of the votes cast; and

1.4 ***Written Resolution*** means a resolution in writing signed by the holders of not less than 90 per cent. in nominal amount of the Bonds outstanding;

1.5 references to persons representing a proportion of the Bonds are to Bondholders or agents holding or representing in the aggregate at least that proportion in principal amount of the Bonds for the time being outstanding.

Appointment of proxy or representative

2. A proxy or representative may be appointed in the following circumstances:

2.1 A holder of Bonds may, by an instrument in writing in the English language (a ***form of proxy***) signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to the specified office of the Issuer not less than 48 hours before the time fixed for the relevant meeting, appoint one or more persons (each a proxy) to act on his or its behalf in connection with any meeting of the Bondholders and any adjourned such meeting.

2.2 Any holder of Bonds which is a corporation may, by delivering to any Agent not later than 48 hours before the time fixed for any meeting a resolution of its directors or other governing body in English, authorise any person to act as its representative (a ***representative***) in connection with any meeting of the Bondholders and any adjourned such meeting.

2.3 Any proxy appointed shall, so long as such appointment remains in full force, be deemed, for all purposes in connection with the relevant meeting or adjourned meeting of the Bondholders, to be the holder of the Bonds to which such appointment relates and the holder of the Bonds shall be deemed for such purposes not to be the holder or owner, respectively.

Powers of meetings

3. A meeting shall, subject to the Conditions, have power by Extraordinary Resolution:

3.1 to sanction any proposal by the Issuer for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Bondholders against the Issuer;

3.2 to sanction the exchange or substitution for the Bonds of, or the conversion of the Bonds into, shares, bonds or other obligations or securities of the Issuer or any other entity;

3.3 to assent to any modification of the Bonds proposed by the Issuer;

3.4 to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution;

3.5 to give any authority, direction or sanction required to be given by Extraordinary Resolution;

3.6 to appoint any persons (whether Bondholders or not) as a committee or committees to represent the Bondholders' interests and to confer on them any powers or discretions which the Bondholders could themselves exercise by Extraordinary Resolution;

3.7 to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Bonds; and

3.8 provided that the special quorum provisions in paragraph 10 shall apply to any Extraordinary Resolution (a ***special quorum resolution***) for the purpose of sub-paragraph 3.2 or sub-paragraph 3.8 or for the purpose of making a modification to the Bonds which would have the effect of:

(a) modifying the maturity of the Bonds or the dates on which interest is payable on them; or

(b) reducing or cancelling the principal amount of, any premium payable on redemption of, or interest on the Bonds; or

(c) changing the currency of payment of the Bonds; or

(d) modifying the provisions in this Schedule concerning the quorum required at a meeting or the majority required to pass an Extraordinary Resolution; or

(e) amending this proviso.

Convening a Meeting

4. The Issuer may at any time convene a meeting. If the Issuer receives a written request by Bondholders holding at least 10 per cent. in principal amount of the Bonds for the time being outstanding, the Issuer shall convene a meeting. Every meeting shall be held at a time and place approved by the Issuer.

5. At least 21 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Bondholders. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify the day, time and place of meeting and, unless the Issuer otherwise agrees, the nature of the resolutions to be proposed and shall explain how Bondholders may appoint proxies or representatives and the details of the time limits applicable.

Chairman

6. The chairman of a meeting shall be such person as the Issuer may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes from the time fixed for the meeting, the Bondholders or agents present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman.

7. The chairman may, but need not, be a Bondholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

Attendance

8. The following may attend and speak at a meeting:

    8.1 Bondholders and agents;

    8.2 the chairman; and

    8.3 the Issuer (through its representatives) and their respective financial and legal advisers.

    No one else may attend or speak.

Quorum and Adjournment

9. No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Bondholders or if the Issuer agrees, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.

10. Two or more Bondholders or agents present in person or by proxy shall be a quorum:

10.1 in the cases marked ***No minimum proportion*** in the table below, whatever the proportion of the Bonds which they represent; and

10.2 in any other case, only if they represent the proportion of the Bonds shown by the table below.

Column 1	**Column 2**	**Column 3**
Purpose of meeting	Any meeting except one referred to in column 3 Required proportion	Meeting previously adjourned through want of a quorum Required proportion
To pass a special quorum resolution	66 per cent.	33 per cent.
To pass any other Extraordinary Resolution	More than 50 per cent.	No minimum proportion
Any other purpose	10 per cent.	No minimum proportion

The holder of a Certificate shall (unless such Certificate represents only one Bond) be treated as two persons for the purposes of an quorum requirements of a meeting of Bondholders.

11. The chairman may, with the consent of (and shall if directed by) a meeting, adjourn the meeting from time to time and from place to place. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this paragraph 11 or paragraph 9.

12. At least 10 days' notice of a meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.

Voting

13. Each question submitted to a meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman or one or more persons representing 2 per cent. of the Bonds.

14. Unless a poll is demanded, a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.

15. If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.

16. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.

17. On a show of hands, every person who is present in person and who produces a Bond or is a proxy has one vote. On a poll, every such person has one vote for US$1,000 in principal amount of Bonds so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.

18. In case of equality of votes, the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

Effect and Publication of an Extraordinary Resolution

19. An Extraordinary Resolution shall be binding on all the Bondholders, whether or not present at the meeting, and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Extraordinary Resolution to Bondholders within 14 days but failure to do so shall not invalidate the resolution.

Minutes

20. Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved, every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands and Hong Kong tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds.

Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

British Virgin Islands

Companies incorporated under the BVI BC Act (or, in the case of former BVI international business companies, re-registered or deemed to have re-registered under the BVI BC Act) are exempt from all provisions of the BVI's Income Tax Act.

All dividends, interest, rents, royalties, compensations and other amounts paid by such BVI companies to persons who are not resident in the BVI, and capital gains realised with respect to any shares, debt obligations or other securities of such companies by persons who are not resident in the BVI, are exempt from the provisions of the BVI's Income Tax Act. No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to any shares, debt obligations or other securities of such BVI companies.

Hong Kong

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Bonds) or interest in respect of the Bonds.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Bonds where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Bonds will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or

- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Bonds where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

SUBSCRIPTION AND SALE

The following section contains the selling restrictions on the offer of the Bonds and the distribution of offering materials in various jurisdictions.

GENERAL

This offering circular do not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Bonds in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been taken or will be taken under the requirements of the legislation or regulation of, or of the legal regulatory requirements of, any jurisdiction to permit an offering of the Bonds to occur in any jurisdiction, or the possession, circulation, or distribution of this offering circular, its accompanying documents (if any) or any other material relating to the Company or the Bonds in any jurisdiction where action for such purpose is required, except that this offering circular has been lodged with the SGX-ST.

Accordingly, the Bonds may not be delivered, offered or sold, directly or indirectly, and none of this offering circular, its accompanying documents (if any) or any offering materials or advertisements in connection with the Bonds may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Investors are advised to consult their legal advisers prior to applying for the Bonds or making any offer, sale, resale or other transfer of the Bonds. Each person who purchases the Bonds shall do so in accordance with the securities regulations in each jurisdiction applicable to it.

No action is being taken or is contemplated by us that would permit a public offering of the Bonds or possession or distribution of any offering circular or any amendment thereof, any supplement thereto or any other offering material relating to the Bonds in any jurisdiction where, or in any other circumstance in which, action for those purposes is required.

This offering circular and/or its accompanying documents (if any) are made available to investors solely for their information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.

UNITED STATES

The Bonds have not been and will not be registered under the Securities Act and may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the Securities Act in accordance with applicable law.

UNITED KINGDOM

This offering circular is only being distributed in the United Kingdom to, and (a) has only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Company; and (b) all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom has been and will be complied.

SINGAPORE

This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (2) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offer of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined the classification of the Securities as prescribed capital markets products (as defined in the CMP

Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

HONG KONG

This offering circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The Bonds will not be offered or sold in Hong Kong other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Bonds which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "Financial Instruments and Exchange Law") and, accordingly, will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other applicable laws and regulations of Japan.

CAYMAN ISLANDS

No Bonds will be offered to the public or sold in the Cayman Islands.

SWITZERLAND

This document is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this offering circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland. Neither this offering circular or any other offering or marketing material relating to the offering, nor the Issuer have been or will be filed with or approved by any Swiss regulatory authority. The Bonds are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority (FINMA), and investors in the Bonds will not benefit from protection or supervision by such authority.

PRC

This offering circular does not constitute a public offer of the Bonds, whether by way of sale or subscription, in the PRC. Other than to qualified domestic institutional investors in the PRC, the Bonds are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements of the PRC, with the exception of qualified domestic institutional investors in the PRC, the Bonds may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

EUROPEAN ECONOMIC AREA

This offering circular is not a prospectus for the purposes of the Insurance Distribution Directive and that the Bonds has not been offered, sold or otherwise made available and will not offer, sell or otherwise make available to any retail investor in the EEA. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as professional client as defined in point (10) of Article 4(1) of MiFID II.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Bonds.

By purchasing the Bonds, you will be deemed to have made the following acknowledgements, representations to, and agreements with us and the Placing Agent:

1. You understand and acknowledge that the Bonds have not been and will not be registered under the Securities Act or any other applicable securities laws; the Bonds are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; the Bonds are being offered and sold only outside of the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and unless so registered, the Bonds may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and you are purchasing the Bonds in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the Placing Agent have made any representation to you with respect to us or the offering of the Bonds, other than the information contained in this offering circular. You represent that you are relying only on this offering circular in making your investment decision with respect to the Bonds. You agree that you have had access to such financial and other information concerning us and the Bonds as you have deemed necessary in connection with your decision to purchase the Bonds including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing the Bonds for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Bonds in violation of the Securities Act.

5. You acknowledge that we, the Placing Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Bonds is no longer accurate, you will promptly notify us and the Placing Agent. If you are purchasing any Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

6. You agree that you will inform each person to whom you transfer the Bonds of any restrictions on transfer of such Bonds.

LEGAL MATTERS

Certain legal matters with respect to the Bonds will be passed upon for us by Paul Hastings as to matters of Hong Kong law.

AUDITOR

Our audited financial statements as of and for the years ended 31 December 2016, 2017 and 2018 included in this offering circular have been audited by BDO Limited, certified public accountants, as stated in their reports appearing herein.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorisations in the Cayman Islands and Hong Kong in connection with the issue and performance of the Bonds. The issue of the Bonds have been authorised by a resolution passed at a meeting of our board of directors held on 6 January 2020.

DOCUMENTS AVAILABLE

For so long as any of the Bonds are outstanding, copies of the Placing Agreement governing the Bonds may be inspected free of charge during normal business hours on any weekday (except public holidays) at our office.

For so long as any of the Bonds are outstanding, copies of our audited financial statements for the years ended 31 December 2016, 2017 and 2018 and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 and 2019 may be obtained during normal business hours on any weekday (except public holidays) at our office.

LISTING OF THE BONDS

Application will be made for the listing of the Bonds on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for Bonds in definitive form. In addition, in the event that the Global Certificate is exchanged for the Bond is in definitive form, announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000, to be traded in a single transaction, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

CLEARING SYSTEM

The Bonds will be lodged with and cleared through the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream with the CMU Operator. The CMU instrument number, ISIN and the Common Code of the Bonds are HTISFB20001, HK0000555653 and 210251588, respectively.

INDEX TO FINANCIAL INFORMATION

Audited consolidated financial statements as of and for the year ended 31 December 2016

Audited consolidated financial statements as of and for the year ended 31 December 2017

Audited consolidated financial statements as of and for the year ended 31 December 2018

Unaudited Condensed Consolidated Interim Financial Statements as of and for the year six months ended 30 June 2018

Unaudited Condensed Consolidated Interim Financial Statements as of and for the year six months ended 30 June 2019

The following audited consolidated financial statements of the Company are derived from the Company's annual reports as of and for the years ended 31 December 2016, 2017 and 2018 and the unaudited condensed consolidated interim financial statements are derived from the Company's interim reports as of and for the six months ended 30 June 2018 and 2019.

The page references included in the auditor's reports and consolidated financial statements refer to pages set out in the Company's relevant annual reports and interim reports.

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TO THE SHAREHOLDERS OF MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

QUALIFIED 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 201, which comprise the consolidated statement of financial position as at 31 December 2016, 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, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, 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 QUALIFIED OPINION

On 20 December 2014, the Group entered into an equity sales agreement with a relative of the Company's ultimate controlling shareholders (the "Buyer") to sell the Group's 51% equity interest in a subsidiary (the "Subsidiary") at a consideration of RMB663,000,000 (the "Consideration"). After the sale, the Subsidiary will become a joint venture. On 31 December 2014, the first instalment payment of the Consideration amounted to RMB32,689,000 was received. Further partial payments for the Consideration were received during the year ended 31 December 2015. On 10 January 2015, the Group had handed over certain legal documents and stamps of the Subsidiary to the Buyer, including corporate licenses, corporate stamp, contract stamp and finance stamp, etc. (the "Legal Documents and Stamps"). It is common for the beneficial owners or controlling parties of the People's Republic of China (the "PRC") entities to hold the Legal Documents and Stamps for the execution of contracts and agreements.

In September 2016, the Group has entered into a cancellation agreement to the equity sales agreement signed in December 2014 to terminate the proposed sale of the Group's 51% equity interest in the Subsidiary. The Buyer returned the Legal Documents and Stamps to the Company in October 2016.

In the preparation of 2015 consolidated financial statements, directors of the Company determined that disposal of the Group's 51% equity interest in the Subsidiary was incomplete and accordingly, the Company has not transferred and changed the legal ownership of the Subsidiary in the registry of the Industry and Commerce Bureau of the PRC. They also concluded that the Group retained control of the Subsidiary because the Group had the right to make key operating and financing decisions of the Subsidiary notwithstanding the fact that the Legal Documents and Stamps have been handed over to the Buyer.

BASIS FOR QUALIFIED OPINION (continued)

In our audit of the Group's consolidated financial statements for the year ended 31 December 2016 ("2016 consolidated financial statements"), directors of the Company were unable to provide us with satisfactory explanation for handing over the Legal Documents and Stamps to the Buyer and appropriate documentary evidence corroborating their representation that the Group had the right to make key operating and financing decisions of the Subsidiary and the disposal of the Group's 51% interest in the Subsidiary was incomplete as at 31 December 2015. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether consolidating the Subsidiary in the Group's 2015 consolidated financial statements and not recognising the gain on disposal of the Group's 51% equity interest in the Subsidiary was appropriate.

The predecessor auditor disclaimed their audit opinion on the Group's 2015 consolidated financial statements due to limitations in their scope of audit work including whether consolidating the Subsidiary in the Group's 2015 consolidated financial statements and not recognising the gain on disposal of the Group's 51% equity interest in the Subsidiary was appropriate.

Any adjustments, if necessary, to account for the sale of the Group's 51% equity interest in the Subsidiary during the year ended 31 December 2015 would have consequential impacts on the consolidated statement of profit or loss, consolidated statement of other comprehensive income and the elements making up the consolidated statement of cash flows for the year ended 31 December 2016 and the related disclosures thereof in 2016 consolidated financial statements. Our audit opinion on 2016 consolidated financial statements is also modified for the possible effect of these unresolved matters on the comparability of the related 2016 figures and the 2015 figures in the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and the related disclosures in 2016 consolidated financial statements.

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

EMPHASIS OF MATTER

We draw attention to note 3 to the consolidated financial statements which set out the details of the prior year adjustments provided by the management.

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. In addition to the matter described in the "Basis for Qualified Opinion" section, we have determined the matters descried below to the key audit matters to be communicated in the matter.

KEY AUDIT MATTERS (continued)

Valuation of investment properties
(Refer to Note 8 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 RMB8,168,835,000 as at 31 December 2016, with a fair value gain for the year then ended of approximately RMB295,157,000 recorded in the consolidated statement of profit or loss.

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 12 and 15 to the consolidated financial statements)

The Group had properties under development and completed properties held for sale with aggregate carrying amounts of RMB11,471,804,000 and RMB9,601,913,000 respectively as at 31 December 2016. 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;

KEY AUDIT MATTERS (continued)

Impairment assessment of properties under development and completed properties held for sale (continued)

— 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 MATTER

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor who expressed a disclaimer of opinion on those statements on 31 March 2016.

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.

As part of an audit in accordance with HKSAs, 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.

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

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

From the matters communicated with the 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 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Revenues	6	**5,089,696**	3,039,665
Cost of sales		**(3,942,243)**	(2,153,374)
Gross profit		**1,147,453**	886,291
Fair value gains on investment properties	8	**295,157**	537,243
Fair value gains on derivative financial instruments	4(e)	**—**	2,432
Other income and other gains and losses	30	**(352,261)**	(122,337)
Selling and marketing costs		**(265,556)**	(163,159)
General and administrative expenses		**(670,142)**	(508,446)
Operating profit		**154,651**	632,024
Finance income	32	**125,083**	72,214
Finance costs	32	**—**	—
Finance income — net	32	**125,083**	72,214
Share of results of			
— Associated companies	13	**55,952**	39,787
— Joint ventures	14	**488,961**	(1,142)
		544,913	38,645
Profit before income tax	31	**824,647**	742,883
Income tax credit/(expense)	34	**349,510**	(383,317)
Profit for the year		**1,174,157**	359,566
Attributable to:			
Equity holders of the Company		**1,169,435**	379,042
Non-controlling interests		**4,722**	(19,476)
		1,174,157	359,566
Earnings per share for profit attributable to equity holders of the Company (RMB cents)	36		
— Basic		**19.2**	6.2
— Diluted		**19.2**	6.2

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2016

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Profit for the year	**1,174,157**	359,566
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
— Currency translation differences	**7,132**	10,687
Other comprehensive income for the year, net of tax	**7,132**	10,687
Total comprehensive income for the year	**1,181,289**	370,253
Attributable to:		
Equity holders of the Company	**1,176,567**	389,729
Non-controlling interests	**4,722**	(19,476)
	1,181,289	370,253

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	As at 31 December 2016 RMB'000	2015 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,784,249**	1,381,426
Investment properties	8	**8,168,835**	8,406,161
Land use rights	10	**189,722**	155,927
Goodwill	11	**7,169**	7,169
Investments in associated companies	13	**1,323,227**	1,271,763
Investments in joint ventures	14	**1,948,223**	1,451,101
Deferred income tax assets	26	**304,823**	418,335
Available-for-sale financial assets	20	**26,150**	20,000
Amount due from a joint venture	17	**264,254**	246,275
Other receivables	16	**15,086**	14,851
Prepayments or deposits for land use rights	9	**2,848,526**	2,828,957
		16,880,264	16,201,965
Current assets			
Land use rights	10	**13,176,631**	10,385,150
Properties under development	12	**11,471,804**	10,310,041
Completed properties held for sale	15	**9,601,913**	6,470,029
Inventories		**44,582**	15,069
Trade and other receivables and prepayments	16	**5,101,392**	2,464,587
Prepaid income taxes		**605,471**	194,219
Amounts due from related parties, joint ventures and associated companies	17	**152,874**	322,793
Amounts due from non-controlling interests	18	**196,572**	274,838
Available-for-sale financial assets	20	**—**	256,720
Restricted cash	19	**1,382,867**	3,076,314
Cash and cash equivalents	19	**2,290,138**	1,915,148
		44,024,244	35,684,908
Total assets		**60,904,508**	51,886,873

	Note	As at 31 December 2016 RMB'000	2015 RMB'000 (Restated)
LIABILITIES			
Current liabilities			
Trade and other payables	27	**10,765,939**	8,796,429
Advanced proceeds received from customers		**14,802,354**	6,719,306
Amounts due to related parties, joint ventures and associated companies	28	**4,152,014**	2,278,611
Amounts due to non-controlling interests	18	**668,680**	554,479
Income tax payable		**1,120,994**	2,416,943
Borrowings	24	**9,148,654**	9,659,442
Provision for other liabilities and charges	29	**65,089**	65,797
		40,723,724	30,491,007
Net current assets		**3,300,520**	5,193,901
Total assets less current liabilities		**20,180,784**	21,395,866
Non-current liabilities			
Deferred government grants	23	**1,611,659**	1,450,553
Borrowings	24	**3,440,187**	5,488,507
Deferred income tax liabilities	26	**1,816,189**	1,729,230
Other payables	27	**50,000**	150,000
		6,918,035	8,818,290
Total liabilities		**47,641,759**	39,309,297
Net assets		**13,262,749**	12,577,576

	Note	As at 31 December 2016 RMB'000	2015 RMB'000 (Restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	22	**536,281**	536,281
Reserves		**11,906,236**	10,938,053
		12,442,517	11,474,334
Non-controlling interests	21	**820,232**	1,103,242
Total equity		**13,262,749**	12,577,576

On behalf of the directors

Wong Wun Ming	**Huang Lianchun**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Capital and reserves attributable to equity holders of the Company											
	Share capital RMB'000 (Note 22)	Merger reserve RMB'000 (Note (a))	Share premium RMB'000 (Note (b))	Revaluation surplus RMB'000 (Note (c))	Contributions from equity holders RMB'000 (Note (d))	Statutory reserves RMB'000 (Note (e))	Other reserves RMB'000 (Note (f))	Translation reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2015	536,281	146,601	631,266	258,943	209,196	125,509	—	(26,869)	9,202,443	11,083,370	625,822	11,709,192
Comprehensive income												
Profit/(loss) for the year	—	—	—	—	—	—	—	—	379,042	379,042	(19,476)	359,566
Other comprehensive income												
— Currency translation differences	—	—	—	—	—	—	—	10,687	—	10,687	—	10,687
Total comprehensive income for the year	—	—	—	—	—	—	—	10,687	379,042	389,729	(19,476)	370,253
Transactions with owners												
Capital injection to subsidiaries by non-controlling interests	—	—	—	—	—	—	—	—	—	—	450,800	450,800
Change in ownership interest in a subsidiary without loss of control	—	—	—	—	—	—	1,235	—	—	1,235	73,165	74,400
	—	—	—	—	—	—	1,235	—	—	1,235	523,965	525,200
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(27,069)	(27,069)
Balance at 31 December 2015 (restated)	536,281	146,601	631,266	258,943	209,196	125,509	1,235	(16,182)	9,581,485	11,474,334	1,103,242	12,577,576
Balance at 31 December 2015												
As previously reported	536,281	146,601	631,266	258,943	209,196	125,509	1,235	(16,182)	9,228,537	11,121,386	1,103,242	12,224,628
Prior year adjustment (Note 3)	—	—	—	—	—	—	—	—	352,948	352,948	—	352,948
As restated	536,281	146,601	631,266	258,943	209,196	125,509	1,235	(16,182)	9,581,485	11,474,334	1,103,242	12,577,576
Comprehensive income												
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,169,435**	**1,169,435**	**4,722**	**1,174,157**
Other comprehensive income												
— Currency translation differences	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**7,132**	**—**	**7,132**	**—**	**7,132**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**7,132**	**1,169,435**	**1,176,567**	**4,722**	**1,181,289**
Transactions with owners												
Capital injection to subsidiaries by non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**72,729**	**72,729**
Change in ownership interest in a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**(208,384)**	**—**	**—**	**(208,384)**	**(360,461)**	**(568,845)**
	—	**—**	**—**	**—**	**—**	**—**	**(208,384)**	**—**	**—**	**(208,384)**	**(287,732)**	**(496,116)**
Balance at 31 December 2016	**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**

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 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Operating activities			
Profit before income tax for the year		**824,647**	742,883
Adjustments for:			
Interest income		**(125,083)**	(72,214)
Depreciation		**82,375**	71,080
Share of results of associated companies		**(55,952)**	(39,787)
Share of results of joint ventures		**(488,961)**	1,142
Amortisation of land use rights		**6,515**	6,618
Fair value gains on investment properties		**(295,157)**	(537,243)
Fair value gains on derivative financial instruments		**—**	(2,432)
Additional provision for impairment of receivables		**1**	7,024
Net loss from disposal of property, plant and equipment		**716**	—
Impairment of goodwill		**—**	3
Net exchange loss on cash and borrowings		**265,215**	208,632
Net gain from disposal of equity interests in subsidiaries		**—**	(57,855)
Net gain from acquisition of additional interest in joint venture which become a wholly owned subsidiary		**—**	(7,744)
Additional provision for delay in delivering properties		**27,131**	—
Operating profit before working capital changes		**241,447**	320,107
Properties under development and completed properties held for sale		**(3,524,605)**	(3,033,074)
Land use rights		**(2,601,861)**	(2,484,405)
Restricted cash relating to operating activities		**(7,790)**	5,690
Inventories		**3,348**	—
Trade and other receivables and prepayments		**(1,329,115)**	(345,846)
Trade and other payables		**2,408,441**	1,080,182
Advanced proceeds received from customers		**8,083,048**	3,624,652
Provision for delay in delivering properties		**(27,839)**	—
Net cash generated from/(used in) operations		**3,245,074**	(832,694)

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Interest received		**125,083**	71,759
Interest paid		**(1,030,598)**	(1,076,102)
Income tax paid		**(1,157,195)**	(158,523)
Net cash generated from/(used in) operating activities		**1,182,364**	(1,995,560)
Investing activities			
Additions of property, plant and equipment and investment properties		**(309,304)**	(402,357)
Net cash advances received from/(made to) related parties		**4,895**	(2,500)
Net cash advances received from/(made to) other parties		**43,061**	(1,068,220)
Net cash advances made to group companies of non-controlling interests		**(1,228,976)**	—
Repayment from associated companies		**165,489**	230,327
Loans to joint ventures		**(18,444)**	(38,186)
Proceeds from sale of property, plant and equipment and investment properties		**40,440**	86,648
Additions of available-for-sale financial assets	20	**(6,150)**	(966,720)
Sales proceeds from disposal of available-for-sale financial assets	20	**256,720**	827,000
Acquisition of subsidiaries, net of cash acquired	40	**(96,309)**	8,894
Payments for acquisition of additional interest in a subsidiary	37(a)	**(568,845)**	—
Capital injection to an associated company		**—**	(62,637)
Disposal of subsidiaries, net of cash disposed		**—**	1,106,327
Capital injection to a joint venture		**(8,161)**	(1)
Advance from disposal of 51% of equity interest in a subsidiary		**—**	480,000
Net cash (used in)/generated from investing activities		**(1,725,584)**	198,575

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Financing activities			
Drawdown of borrowings		**3,605,996**	8,164,653
Repayments of borrowings		**(5,427,304)**	(5,645,403)
Net cash advances received from/(repaid to) non-controlling interests		**192,467**	(63,272)
Net cash advances repaid to related parties		**(22,366)**	(67,710)
Net cash advances received from/(repaid to) a joint venture		**1,366,196**	(34,940)
Net cash advances received from associated companies		**529,573**	149,744
Net cash advances (repaid to)/received from other parties		**(877,614)**	851,265
Net cash advances repaid to shareholder of associated companies		**(151,364)**	—
Decrease/(increase) in restricted cash relating to financing activities		**1,701,237**	(617,764)
Capital contribution from non-controlling interests		**—**	98,000
Cash received in connection with the disposal of partial interest in a subsidiary		**—**	74,400
Net cash generated from financing activities		**916,821**	2,908,973
Effect of foreign exchange rate changes on cash		**1,389**	71,018
Net increase in cash and cash equivalents		**374,990**	1,183,006
Cash and cash equivalents at beginning of the year		**1,915,148**	732,142
Cash and cash equivalents at end of the year	19	**2,290,138**	1,915,148

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 available-for-sale 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 5 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) Adoption of new/revised HKFRSs — effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) Adoption of new/revised HKFRSs — effective 1 January 2016 (continued)

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 — Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) Adoption of new/revised HKFRSs — effective 1 January 2016 (continued)

Amendments to HKFRS 11- Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply the relevant principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties. The amendment are applied prospectively.

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous Generally Accepted Principles requirements when they adopt HKFRS. However, to enhance comparability with entities that already apply HKFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents HKFRS financial statements is not eligible to apply the standard.

The Group expects to adopt the amendments from 1 April 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

The adoption of the amendments has no significant impact on these financial statements.

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

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 HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[3]
HKFRS 16	Leases[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[3]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[3]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[3]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[3]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[3]
Amendments to HKAS 19	Employee Benefits[3]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for business combinations and acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.
6 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 HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities

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 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCL. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at 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.

Impact on adoption

(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.

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 9 — Financial Instruments (continued)

Impact on adoption (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 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 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)

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

HKFRS 9 — Financial Instruments (continued)

Impact on adoption (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)

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

HKFRS 9 — Financial Instruments (continued)

Impact on adoption (continued)

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

As of 1 January 2018, certain unquoted equity investments will be 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 will designate such unquoted equity instrument at the date of initial application as measured at FVTOCI. The directors consider that there will be no opening adjustment is required because these investments will be 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
Available-for-sale financial assets	Available-for-sale (at fair value)	FVTOCI (equity instrument)
Amounts due from related parties, joint ventures and associated companies	Loans and receivables	Amortised cost
Amounts due from non-controlling interests	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Restricted cash	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

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 9 — Financial Instruments (continued)

Impact on adoption (continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 will change 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 will be subject to ECLs model but the impairment is assessed to be immaterial.

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 will elect to measure loss allowances for trade receivables using HKFRS 9 simplified approach and will calculate ECLs based on lifetime ECLs. The Group will establish 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 will be 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. The Group's debt investment at FVTOCI are considered to have low credit risk since the issuers' credit rating are high.

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

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 9 — Financial Instruments (continued)

Impact on adoption (continued)

(ii) Impairment of financial assets (continued)

Measurement of ECLs (continued)

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.

Impact of the ECLs model

(I) Impairment of trade receivables

As mentioned above, the Group will apply 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.

(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 other financial asset at amortised cost.

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 9 — Financial Instruments (continued)

Impact on adoption (continued)

(iii) Hedge accounting

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

(iv) Transition

The Group will apply 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 will therefore not be reflected in the statement of financial position as at 31 December 2017, but will be 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 will be recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 will not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments will be 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.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

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 15 — Revenue from Contracts with Customers (continued)

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Impact on adoption

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 will elect 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 will not be restated and will continue to be reported under HKAS 11 and HKAS 18. As allowed by practical expedient in HKFRS 15, the Group will apply the new requirements only to contracts that were not completed before 1 January 2018.

Management of the Company reviewed the business model of the Group and contracts with customers and assessed 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 will be capitalised as contract assets 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 will not have significant impact on the Group. Management of the Company also consider that the application of HKFRS 15 will 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.

The Group assessed that there will be 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 accounting policies are set out below:

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 15 — Revenue from Contracts with Customers (continued)

Impact on adoption (continued)

(i) Timing of revenue recognition

Before adoption of the new standard, revenue arising from sales of properties is generally recognised as revenue when the significant risks and rewards of ownership of the properties are transferred to the buyers, whereas revenue from provision of services is recognised when the relevant services are provided to the customers.

Under HKFRS 15, revenue will be recognised when the customer obtains control of the promised goods or service in the contract. This may be at a point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised goods or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three conditions, then under HKFRS 15 the entity recognises revenue from sales of that goods or service at a point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 will not have significant impact on when the Group recognises revenue from provision of services, including services in relation to hotel operation and other ancillary services, property investment and management and security services.

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

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

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 15 — Revenue from Contracts with Customers (continued)

Impact on adoption (continued)

(i) Timing of revenue recognition (continued)

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.

The Group assesses that there will be no enforceable right to payment from the customers for performance completed to date and the adoption of HKFRS 15 will not have an impact on the timing of revenue recognition.

(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 will apply 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. The Group assesses that the adoption of HKFRS 15 will have 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 or a financing component, if significant. Receipts in advance that are classified under "Advanced proceeds received from customers" before adopting the new standard will be reclassified to contract liabilities as at 1 January 2018. The Group assesses that the adoption application of HKFRS 15 will have no significant impact on the opening retained earnings as at 1 January 2018.

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 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.

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

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.

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.

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.

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.

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

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 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.

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.

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 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 Materials

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.

Except for the possible impacts of adoption of HKFRS 9, 15 and 16 as discussed above, the Group does not expect the adoption of the pronouncement will result in significant impact on the Group's results and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

(i) Consolidation (continued)

Business combinations (continued)

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.

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

(ii) Separate financial statements (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

- ***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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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) Trade and other 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.

(q) 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.

(r) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Held-to-maturity investments (continued)

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.

(s) 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.

(t) 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)

(u) 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)

(v) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(w) 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)

(x) Financial guarantee liabilities

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.

(y) 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Revenue recognition

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.

(iv) Property construction income

Property construction income is recognised based on the percentage of completion method, by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contracts.

(v) 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.

(vi) Decoration services

Revenue from decoration services is recognised in the accounting period in which the services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Revenue recognition (continued)

(vii) 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.

(viii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(aa) 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)

(ab) 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.

(ac) 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 PRIOR YEAR ADJUSTMENTS

Sales of use rights of 8 properties to the ultimate controlling shareholders and their close family members

The Group entered into certain agreements to sell the use rights (i.e. right to use without transfer of ownership title) of 8 units of properties developed by a subsidiary to the Company's ultimate controlling shareholders and their close family members at an aggregate consideration of RMB189,000,000, value-added tax inclusive. The carrying amounts of these units of properties at the total amount of RMB46,000,000, among which RMB42,500,000 were included in "completed properties held for sale" and RMB3,500,000 were included in "land use rights" in current assets as at 31 December 2015. Deposits of RMB96,880,000 were received in advance in 2014 from these buyers, while the remaining consideration of RMB92,120,000 were received on 31 December 2015. As at 31 December 2015, these cash receipts at the total amount of RMB189,000,000 including related value-added tax payable of RMB9,000,000 were recorded in "trade and other payables".

Despite the use right of these units of properties have been delivered to the buyers on 27 December 2015 and the respective buyers have taken possession of the subject 8 units of properties, the Group did not recognise these sales in the consolidated financial statements for the year ended 31 December 2015.

Subsequent to the date of annual report for the year ended 31 December 2015, the Group has obtained the legal advice from qualified PRC lawyers confirming the relevant contracts were duly signed and executed and as such, the Group considered that the transactions have completed in 2015. To rectify the situation, the Group has taken up the following prior year adjustments:

	Increase/(decrease)
	RMB'000
Revenue	180,000
Cost of sales	46,000
Income tax expense	53,492
Land use rights — current	(3,500)
Completed properties held for sale	(42,500)
Trade and other payables	(180,000)
Income tax payable	53,492

3 PRIOR YEAR ADJUSTMENTS (continued)

Sales of use rights of 42 properties to a subcontractor

On 18 November 2015, the Group entered into certain agreements (the "November 2015 Agreements") with a subcontractor (the "Subcontractor") in which the Subcontractor agrees to settle, on behalf of the Group, certain of the Group's outstanding payables to two main contractors (the "Main Contractors") amounted to RMB644,000,000, value-added tax inclusive in total. In return, the Group agreed to deliver to the Subcontractor the use rights of 42 units of properties developed by one of the Group's subsidiaries. Tripartite payable settlement agreements were entered among the Group, main contractors and sub-contractors.

Pursuant to the November 2015 Agreements, the Subcontractor designated two individuals to take over these 42 units of properties.

The carrying amounts of these 42 units of properties at the total amount of RMB137,305,000, among which RMB126,581,000 were included in "completed properties held for sale" and RMB10,724,000 were included in "land use rights" in current assets as at 31 December 2015. Despite the use right of these 42 units of properties have been delivered at the end of December 2015, the Group did not recognise these sales in the consolidated financial statements for the year ended 31 December 2015.

Subsequent to the date of annual report for the year ended 31 December 2015, the Group has obtained the legal advice from qualified PRC lawyers confirming the relevant contracts were duly signed and executed. As such, the Group considered that the transactions have completed and had duly performed its obligations under the agreements with the main contractors and the sub-contractor. To rectify the situation, the Group has taken up the following prior year adjustments:

	Increase/(decrease) RMB'000
Revenue	613,333
Cost of sales	137,305
Income tax expense	203,588
Land use rights — current	(10,724)
Completed properties held for sale	(126,581)
Trade and other payables	(613,333)
Income tax payable	203,588

3 PRIOR YEAR ADJUSTMENTS (continued)

Based on the above, the revenue, cost of sales, current PRC enterprise income tax, current land appreciation tax, land use rights, completed properties held for sale, trade and other payables and income tax payable as at 31 December 2015 have been restated accordingly. Details of the restatement are disclosed below.

Consolidated statement of profit or loss for the year ended 31 December 2015:

	As previously reported	Adjustments	As restated
	RMB'000	RMB'000	RMB'000
Revenues	2,246,332	793,333	3,039,665
Cost of sales	(1,970,069)	(183,305)	(2,153,374)
Gross profit	276,263	610,028	886,291
Operating profit	21,996	610,028	632,024
Profit before income tax	132,855	610,028	742,883
Income tax expense	(126,237)	(257,080)	(383,317)
Profit for the year			
— attributable to equity holders of the Company	26,094	352,948	379,042
Total comprehensive income for the year			
— attributable to equity holders of the Company	36,781	352,948	389,729

3 PRIOR YEAR ADJUSTMENTS (continued)

Consolidated statement of financial position as at 31 December 2015:

	As previously reported RMB'000	Adjustments RMB'000	As restated RMB'000
Land use rights — current	10,399,374	(14,224)	10,385,150
Completed properties held for sale	6,639,110	(169,081)	6,470,029
Total assets	52,070,178	(183,305)	51,886,873
Trade and other payables	(9,589,762)	793,333	(8,796,429)
Income tax payable	(2,159,863)	(257,080)	(2,416,943)
Total current liabilities	(31,027,260)	536,253	(30,491,007)
Total assets less current liabilities	21,042,918	352,948	21,395,866
Total liabilities	(39,845,550)	536,253	(39,309,297)
Net assets	12,224,628	352,948	12,577,576
Retained earnings	(9,228,537)	(352,948)	(9,581,485)

Impact on basic and diluted earnings per share:

	Year ended 31 December 2015 RMB cents
Basic and diluted earnings per share, as previously reported	0.4
Adjustments	5.8
Basic and diluted earnings per share, as restated	6.2

4 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	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**10,906**	432,739	**3,613,857**	4,314,948
HKD	**298,020**	267,161	**622,994**	1,509,661

4 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)/ increase in profit after income tax**
		RMB'000
As at 31 December 2016		
USD	**5%**	**(180,030)**
HKD	**5%**	**(14,618)**
As at 31 December 2015		
USD	5%	199,239
HKD	5%	49,881

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 2015.

4 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 19), the advances to certain other parties (Note 16), an amount due from a joint venture (Note 17) and amounts due from non-controlling interests (Note 18), 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 24.

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 2016, 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 RMB7,535,000 (2015: RMB6,520,000) 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.

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.

4 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)
As at 31 December 2016					
Borrowings	**9,148,654**	**2,316,920**	**804,622**	**318,645**	**12,588,841**
Interest payments on borrowings (Note)	**720,833**	**136,057**	**120,579**	**27,444**	**1,004,913**
Trade and other payables	**10,765,939**	**50,000**	**—**	**—**	**10,815,939**
Amounts due to related parties	**4,152,014**	**—**	**—**	**—**	**4,152,014**
Amounts due to non-controlling interests	**668,680**	**—**	**—**	**—**	**668,680**
Financial guarantees	**5,093,119**	**—**	**—**	**—**	**5,093,119**
	30,549,239	**2,502,977**	**925,201**	**346,089**	**34,323,506**
As at 31 December 2015					
Borrowings	9,621,788	2,536,552	2,087,319	877,111	15,122,770
Interest payments on borrowings (Note)	832,053	288,181	319,628	144,412	1,584,274
Trade and other payables	8,796,429	150,000	—	—	8,946,429
Amounts due to related parties	2,278,611	—	—	—	2,278,611
Amounts due to non-controlling interests	554,479	—	—	—	554,479
Financial guarantees	4,245,057	—	—	—	4,245,057
	26,328,417	2,974,733	2,406,947	1,021,523	32,731,620

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2016 and 2015 respectively without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2016 and 2015 respectively.

(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.

4 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk management (continued)

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 2016 and 2015 were as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Borrowings	**12,588,841**	15,147,949
Less: Cash and cash equivalents and restricted cash	**(3,673,005)**	(4,991,462)
Net debt	**8,915,836**	10,156,487
Total equity	**13,262,749**	12,577,576
Total capital	**22,178,585**	22,734,063
Gearing ratio	**40.2%**	44.7%

(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).

The following table presents the Group's financial assets that are measured at fair value at 31 December 2016. See Note 8 for disclosures of the investment properties that are measured at fair value.

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Available-for-sale financial assets (Note 20)	—	—	**26,150**	**26,150**

4 FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets	—	—	276,720	276,720

(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.

4 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 year ended 31 December 2016 and 2015:

	Available-for-sale financial assets	
	2016	2015
	RMB'000	RMB'000
Opening balance	**276,720**	137,000
Additions	**6,150**	966,720
Disposals	**(256,720)**	(827,000)
Closing balance	**26,150**	276,720
Total gains or losses for the year included in profit or loss for available-for-sale financial assets held at the end of the year	**—**	—

	Derivative financial instruments
	2015
	RMB'000
Opening balance	2,432
Gains recognised in profit or loss	(2,432)
Closing balance	—
Total gains for the year included in profit or loss for derivative financial liabilities held at the end of the year	(2,432)

4 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

Assets	As at 31 December 2016 RMB'000	2015 RMB'000
Loans and receivables		
Trade and other receivables	**3,474,604**	1,776,237
Amounts due from related parties, joint ventures and associated companies	**417,128**	569,068
Amounts due from non-controlling interests	**196,572**	274,838
Restricted cash	**1,382,867**	3,076,314
Cash and cash equivalents	**2,290,138**	1,915,148
	7,761,309	7,611,605
Available-for-sale financial assets	**26,150**	276,720
Total	**7,787,459**	7,888,325

Liabilities	As at 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Financial liabilities at amortised cost		
Borrowings	**12,588,841**	15,147,949
Trade and other payables (excluding other taxes payable)	**10,672,683**	8,606,560
Amounts due to related parties	**4,152,014**	2,278,611
Amounts due to non-controlling interests	**668,680**	554,479
Total	**28,082,218**	26,587,599

5 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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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.

(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 8.

(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.

5 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.

As at 31 December 2015, the subscription period of derivative financial instruments of warrants expired.

6 REVENUES AND SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four 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;

(iv) the property construction segment engages in construction operation and was inactive during the year.

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.

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.

6 REVENUES AND SEGMENT INFORMATION (continued)

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 available-for-sale financial assets.

Segment liabilities comprise operating liabilities. They exclude borrowings, deferred income tax liabilities, income tax payable and derivative financial instruments.

(a) Segment information

The segment results and other segment items for the year ended 31 December 2016 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	Property construction RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	286,008	4,385,631	189,244	231,767	—	1,121	—	5,093,771
Inter-segment revenues	—	—	(4,075)	—	—	—	—	(4,075)
Revenues	286,008	4,385,631	185,169	231,767	—	1,121	—	5,089,696
Operating profit/(loss)	5,416	120,651	(21,886)	352,980	—	(302,510)	—	154,651
Finance income — net								125,083
Share of results of associated companies	(132)	625	—	56,182	—	(723)	—	55,952
Share of results of joint ventures	488,961	—	—	—	—	—	—	488,961
Profit before income tax								824,647
Income tax credit								349,510
Profit for the year								1,174,157
Other segment information								
Capital and property development expenditure	565,793	5,379,164	418,784	100,319	—	15,769	—	6,479,829
Depreciation	7,319	36,557	36,301	2,071	—	127	—	82,375
Amortisation of land use rights as expenses	—	6,439	—	—	—	76	—	6,515
Fair value gains on investment properties	—	—	—	295,157	—	—	—	295,157

6 REVENUES AND SEGMENT INFORMATION (continued)

(a) Segment information (continued)

The segment assets and liabilities as at 31 December 2016 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	Property construction RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	12,484,156	45,801,700	2,687,937	12,777,647	—	11,542,828	(28,597,654)	56,696,614
Associated companies	148,241	46,038	—	973,353	—	155,595	—	1,323,227
Joint ventures	1,948,223	—	—	—	—	—	—	1,948,223
	14,580,620	45,847,738	2,687,937	13,751,000	—	11,698,423	(28,597,654)	59,968,064
Unallocated:								
Deferred income tax assets								304,823
Prepaid income taxes								605,471
Available-for-sale financial assets								26,150
Total assets								60,904,508
Segment liabilities	11,765,616	25,213,483	926,543	7,915,158	—	14,892,589	(28,597,654)	32,115,735
Unallocated:								
Deferred income tax liabilities								1,816,189
Borrowings								12,588,841
Income tax payable								1,120,994
Total liabilities								47,641,759

6 REVENUES AND SEGMENT INFORMATION (continued)

(a) Segment information (continued)

The segment results and other segment items for the year ended 31 December 2015 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000 (Restated)	Hotel RMB'000	Property investment and management RMB'000	Property construction RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000 (Restated)
Total segment revenues	229,435	2,018,056	157,853	262,337	374,732	—	—	3,042,413
Inter-segment revenues	—	—	(2,748)	—	—	—	—	(2,748)
Revenues	229,435	2,018,056	155,105	262,337	374,732	—	—	3,039,665
Operating profit/(loss)	18,307	292,930	(41,028)	614,972	13,082	(266,239)	—	632,024
Finance income — net								72,214
Share of results of associated companies	(4,135)	(2,624)	—	46,546	—	—	—	39,787
Share of results of joint ventures	(270)	(871)	—	—	—	(1)	—	(1,142)
Profit before income tax								742,883
Income tax expense								(383,317)
Profit for the year								359,566
Other segment information								
Capital and property development expenditure	2,046,489	4,984,124	17,339	350,722	—	—	—	7,398,674
Depreciation	15,099	19,912	33,015	2,119	—	935	—	71,080
Amortisation of land use rights as expenses	3,115	3,503	—	—	—	—	—	6,618
Fair value gains on investment properties	—	—	—	537,243	—	—	—	537,243
Fair value gains on derivative financial instruments	—	—	—	—	—	2,432	—	2,432
Impairment of goodwill recognised as expenses	—	3	—	—	—	—	—	3

6 REVENUES AND SEGMENT INFORMATION (continued)

(a) Segment information (continued)

The segment assets and liabilities as at 31 December 2015 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000 (Restated)	Hotel RMB'000	Property investment and management RMB'000	Property construction RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000 (Restated)
Segment assets	16,350,782	43,615,765	2,206,109	9,569,589	874,132	9,733,522	(34,075,164)	48,274,735
Associated companies	262,485	49,901	—	959,377	—	—	—	1,271,763
Joint ventures	1,451,101	—	—	—	—	—	—	1,451,101
	18,064,368	43,665,666	2,206,109	10,528,966	874,132	9,733,522	(34,075,164)	50,997,599
Unallocated:								
Deferred income tax assets								418,335
Prepaid income taxes								194,219
Available-for-sale financial assets								276,720
Total assets								51,886,873
Segment liabilities	10,136,261	30,335,083	271,112	603,958	843,618	11,900,307	(34,075,164)	20,015,175
Unallocated:								
Deferred income tax liabilities								1,729,230
Borrowings								15,147,949
Income tax payable								2,416,943
Total liabilities								39,309,297

6 REVENUES AND SEGMENT INFORMATION (continued)

(b) Revenues

Turnover of the Group comprises revenues recognised as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Sale of properties		
— commercial	**286,008**	229,435
— residential	**4,385,631**	2,018,056
	4,671,639	2,247,491
Hotel operating income	**185,169**	155,105
Rental income		
— from investment properties	**156,274**	214,216
— others	**30,764**	8,865
Property management fee income	**44,729**	39,256
Property construction income	**—**	374,732
Miscellaneous income	**1,121**	—
	5,089,696	3,039,665

7 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
Cost							
As at 1 January 2016	533,051	876,134	11,905	86,284	110,456	46,071	1,663,901
Acquisition of subsidiaries (Note 40)	—	—	5,980	86	395	116,388	122,849
Additions	179,472	21,234	364	8,034	14,213	256	223,573
Transfer upon completion	(273,869)	273,869	—	—	—	—	—
Disposals	—	(96)	(2)	(305)	(5,704)	(852)	(6,959)
Transfer from investment properties (Note 8)	—	140,792	—	—	—	—	140,792
As at 31 December 2016	438,654	1,311,933	18,247	94,099	119,360	161,863	2,144,156
Accumulated depreciation							
As at 1 January 2016	—	(141,886)	(9,786)	(52,803)	(75,276)	(2,724)	(282,475)
Charge for the year	—	(51,549)	(1,450)	(9,098)	(11,049)	(9,229)	(82,375)
Disposals	—	—	2	250	4,691	—	4,943
As at 31 December 2016	—	(193,435)	(11,234)	(61,651)	(81,634)	(11,953)	(359,907)
Net book value							
As at 31 December 2016	438,654	1,118,498	7,013	32,448	37,726	149,910	1,784,249

7 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
Cost							
As at 1 January 2015	784,308	626,367	11,447	72,770	98,416	99,639	1,692,947
Acquisition of subsidiaries	—	—	—	199	247	—	446
Additions	—	8,236	458	14,995	14,502	—	38,191
Reclassify to completed properties held for sale	(9,726)	—	—	—	—	—	(9,726)
Transfer upon completion	(241,531)	241,531	—	—	—	—	—
Disposals	—	—	—	(1,421)	(2,152)	—	(3,573)
Disposal of subsidiaries	—	—	—	(259)	(557)	(53,568)	(54,384)
As at 31 December 2015	533,051	876,134	11,905	86,284	110,456	46,071	1,663,901
Accumulated depreciation							
As at 1 January 2015	—	(97,880)	(8,741)	(41,779)	(69,045)	(461)	(217,906)
Charge for the year	—	(44,006)	(1,045)	(12,525)	(8,696)	(4,808)	(71,080)
Disposals	—	—	—	1,272	1,936	—	3,208
Disposal of subsidiaries	—	—	—	229	529	2,545	3,303
As at 31 December 2015	—	(141,886)	(9,786)	(52,803)	(75,276)	(2,724)	(282,475)
Net book value							
As at 31 December 2015	533,051	734,248	2,119	33,481	35,180	43,347	1,381,426

Depreciation of property, plant and equipment of RMB82,375,000 (2015: RMB71,080,000) has been charged to the consolidated statement of profit or loss.

As at 31 December 2016, certain buildings of RMB430,925,000 (2015: RMB544,225,000) were pledged as collateral for the Group's borrowings (Note 24).

There was no interest capitalised in assets under construction for the year ended 31 December 2016 (2015: Nil).

8 INVESTMENT PROPERTIES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**8,406,161**	7,393,525
Additions	**85,731**	350,721
Transfer from land use rights (Note 10)	**988**	57,381
Transfer from completed properties held for sale	**30,730**	142,413
Fair value gains	**295,157**	537,243
Disposals	**(39,140)**	(75,122)
Transfer to property, plant and equipment (Note 7)	**(140,792)**	—
Transfer to completed properties held for sale	**(470,000)**	—
Ending balance	**8,168,835**	8,406,161

The investment properties were revalued on an existing use basis at the end of each reporting period date by Cushman & Wakefield Limited ("C&W") (previously known as DTZ Debenham Tie Leung Limited ("DTZ")), 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 RMB760,000,000 as at 31 December 2016 (2015: RMB997,000,000).

The Group's interests in investment properties at their net book values are analysed as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
In the PRC, held on leases of 10–50 years	**8,168,835**	8,406,161

As at 31 December 2016, investment properties of RMB2,610,500,000 (2015: RMB5,176,627,000) were pledged as collateral for the Group's borrowings (Note 24).

8 INVESTMENT PROPERTIES (continued)

Fair value hierarchy

Description	Fair value measurements at 31 December 2016 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	—	—	7,408,835
— Investment properties under development	—	—	760,000
Total	—	—	8,168,835

Description	Fair value measurements at 31 December 2015 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	—	—	7,409,161
— Investment properties under development	—	—	997,000
Total	—	—	8,406,161

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.

8 INVESTMENT PROPERTIES (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2016		
	Completed investment properties RMB'000	**Investment properties under development RMB'000**	**Total RMB'000**
Opening balance	**7,409,161**	**997,000**	**8,406,161**
Additions	**—**	**85,731**	**85,731**
Transfer from land use rights (Note 10)	**988**	**—**	**988**
Transfer from completed properties held for sale	**30,730**	**—**	**30,730**
Fair value gains	**147,888**	**147,269**	**295,157**
Disposals	**(39,140)**	**—**	**(39,140)**
Transfer to property, plant and equipment (Note 7)	**(140,792)**	**—**	**(140,792)**
Transfer to completed properties held for sale	**—**	**(470,000)**	**(470,000)**
Ending balance	**7,408,835**	**760,000**	**8,168,835**
Total gains for the year included in profit or loss under fair value gains on investment properties	**147,888**	**147,269**	**295,157**

	Year ended 31 December 2015		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	7,047,525	346,000	7,393,525
Additions	—	350,721	350,721
Transfer from land use rights (Note 10)	10,277	47,104	57,381
Transfer from completed properties held for sale	142,413	—	142,413
Fair value gains	284,068	253,175	537,243
Disposals	(75,122)	—	(75,122)
Ending balance	7,409,161	997,000	8,406,161
Total gains for the year included in profit or loss under fair value gains on investment properties	284,068	253,175	537,243

8 INVESTMENT PROPERTIES (continued)

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2016 and 2015 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.

8 INVESTMENT PROPERTIES (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2016 RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	**7,408,835**	Income capitalisation approach	Rental value	RMB24–610 per month per square metre	The higher the market rent, the higher the fair value
			Term yield	5.00%–6.00%	The higher the term yield, the lower the fair value
			Reversionary yield	5.50%–8.50%	The higher the reversionary yield, the lower the fair value
Investment properties under development	**760,000**	Direct comparison with estimated costs to complete	Estimated costs to completion	RMB526,000,000	The higher the estimated costs, the lower the fair value
			Direct comparison value	RMB7,800–9,100 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	15%–18% of property value	The higher the profit margin required, the lower the fair value

Description	Fair value at 31 December 2015 RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	7,409,161	Income capitalisation approach	Rental value	RMB21–550 per month per square metre	The higher the market rent, the higher the fair value
			Term yield	5.00%–6.50%	The higher the term yield, the lower the fair value
			Reversionary yield	5.50%–7.00%	The higher the reversionary yield, the lower the fair value
Investment properties under development	997,000	Direct comparison with estimated costs to complete	Estimated costs to completion	RMB555,000,000	The higher the estimated costs, the lower the fair value
			Direct comparison value	RMB7,500–12,000 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%–20% of property value	The higher the profit margin required, the lower the fair value

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.

9 PREPAYMENTS OR DEPOSITS FOR LAND USE RIGHTS

The Group had made prepayments or deposits for acquisition of certain land use rights, the ownership certificates of which have not been obtained.

As at 31 December 2016, no prepayment or deposits (2015: RMB268,690,000) were pledged as collateral for the Group's borrowings (Note 24).

10 LAND USE RIGHTS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Opening balance	**10,541,077**	7,460,265
Additions	**3,061,954**	3,789,817
Acquisition of subsidiaries (Note 40)	**562,445**	212,337
Amortisation		
— capitalised in properties under development	**(327,492)**	(195,438)
— recognised as expenses	**(6,515)**	(6,618)
Transfer to cost of sales	**(481,942)**	(170,230)
Transfer to investment properties (Note 8)	**(988)**	(57,381)
Exchange differences	**17,814**	—
Disposal of subsidiaries	**—**	(491,675)
Ending balance	**13,366,353**	10,541,077
Land use rights		
— relating to property, plant and equipment under non-current assets	**189,722**	155,927
— relating to properties developed for sale under current assets	**13,176,631**	10,385,150
	13,366,353	10,541,077

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 RMB6,515,000 (2015: RMB6,618,000) has been charged to the general and administrative expenses.

As at 31 December 2016, land use rights of RMB4,282,450,000 (2015: RMB4,711,037,000) were pledged as collateral for the Group's borrowings (Note 24).

11 GOODWILL

Goodwill arising from acquisitions:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**7,169**	7,172
Impairment of goodwill recognised as expenses (Note)	**—**	(3)
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	
	2016	2015
	RMB'000	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.

12 PROPERTIES UNDER DEVELOPMENT

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	**8,893,517**	8,000,621
Interest capitalised	**2,578,287**	2,309,420
	11,471,804	10,310,041

12 PROPERTIES UNDER DEVELOPMENT (continued)

The properties under development are all located outside Hong Kong and primarily in mainland China.

As at 31 December 2016, properties under development of RMB2,824,859,000 (2015: RMB1,836,283,000) were pledged as collateral for the Group's borrowings (Note 24).

The capitalisation rate of borrowings was 8.19% for the year ended 31 December 2016 (2015: 6.37%).

As at 31 December 2016, properties under development amounting to approximately RMB9,816,323,000 were not expected to be realised within twelve months from the end of the reporting period.

13 INVESTMENTS IN ASSOCIATED COMPANIES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**1,271,763**	1,158,636
Additions	**—**	62,637
Share of results — Profit for the year	**55,952**	39,787
Share of other comprehensive income		
— Exchange differences	**(4,488)**	10,703
Ending balance	**1,323,227**	1,271,763

Nature of investments in associated companies in 2016 and 2015

Name of entity	Place of business	% of interest held	Measurement method
Eagle Rights Limited ("Eagle Rights") 鈞濠有限公司	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	37.50%	Equity accounting
Nanjing Software Valley Mingfa Communication Technology Development Co., Ltd ("Mingfa Tongxin") 南京軟件谷明發通訊科技發展有限公司	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
Speedy Gains Limited ("Speedy Gains")#	Hong Kong	20%	Equity accounting

20% equity interest was disposed by the Group on 20 December 2016.

13 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

As at 31 December 2016 and 2015, the Group provided guarantees of the following amounts in respect of bank borrowings to its associated companies:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Mingfa Tongxin	**400,000**	400,000
Software Valley Mingfa	**800,000**	—
Speedy Gains	**—**	171,911
Total	**1,200,000**	571,911

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 As at 31 December		Shimao Mingfa As at 31 December		Mingfa Tongxin As at 31 December		Software Valley Mingfa As at 31 December		Speedy Gains As at 31 December	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets										
Current assets	**113,056**	116,646	**555,189**	557,258	**1,324,637**	868,403	**917,097**	973,528	**—**	124,167
Non-current assets	**87,193**	93,001	**134**	183	**491**	435	**2,787,352**	2,716,435	**—**	1,533,137
	200,249	209,647	**555,323**	557,441	**1,325,128**	868,838	**3,704,449**	3,689,963	**—**	1,657,304
Liabilities										
Current liabilities	**(62,121)**	(59,928)	**(297,990)**	(299,758)	**(12,228)**	(61,462)	**(492,239)**	(514,430)	**—**	(861,078)
Non-current liabilities	**—**	—	**—**	—	**(1,075,000)**	(568,000)	**(1,283,302)**	(1,288,302)	**—**	(796,226)
	(62,121)	(59,928)	**(297,990)**	(299,758)	**(1,087,228)**	(629,462)	**(1,775,541)**	(1,802,732)	**—**	(1,657,304)
Net assets	**138,128**	149,719	**257,333**	257,683	**237,900**	239,376	**1,928,908**	1,887,231	**—**	—

13 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

Summarised statement of profit or loss and other comprehensive income

	Eagle Rights		Shimao Mingfa		Mingfa Tongxin		Software Valley Mingfa		Speedy Gains	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Period ended 20 December	Year ended 31 December
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Income	**22,739**	23,454	**—**	—	**—**	—	**147,425**	40,000	**—**	—
Expenses	**(20,864)**	(31,326)	**(350)**	(1,032)	**(1,476)**	(7,648)	**(105,748)**	(25,499)	**—**	—
Profit/(loss) after tax	**1,875**	(7,872)	**(350)**	(1,032)	**(1,476)**	(7,648)	**41,677**	14,501	**—**	—
Other comprehensive income										
— Exchange differences	**(13,466)**	32,111	**—**	—	**—**	—	**—**	—	**—**	—
Total comprehensive income	**(11,591)**	24,239	**(350)**	(1,032)	**(1,476)**	(7,648)	**41,677**	14,501	**—**	—

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		Others As at 31 December	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Opening net assets	**149,719**	125,480	**257,683**	258,715	**239,376**	119,193	**1,887,231**	1,901,732	**—**	—
Addition	**—**	—	**—**	—	**—**	127,831	**—**	—	**—**	—
(Loss)/profit for the year	**1,875**	(7,872)	**(350)**	(1,032)	**(1,476)**	(7,648)	**41,677**	(14,501)	**—**	—
Exchange differences	**(13,466)**	32,111	**—**	—	**—**	—	**—**	—	**—**	—
Closing net assets	**138,128**	149,719	**257,333**	257,683	**237,900**	239,376	**1,928,908**	1,887,231	**—**	—
% of interest held	**33.33%**	33.33%	**37.50%**	37.50%	**49%**	49%	**48%**	48%	**20%**	20%
Group's interests in associated companies	**46,039**	49,906	**96,500**	96,631	**116,571**	117,294	**925,876**	905,871	**—**	—
Share of profit on profit guarantee agreement (##)	**—**	—	**—**	—	**—**	—	**89,681**	53,501	**—**	—
Goodwill	**—**	—	**48,560**	48,560	**—**	—	**—**	—	**—**	—
Carrying amount	**46,039**	49,906	**145,060**	145,191	**116,571**	117,294	**1,015,557**	959,372	**—**	—

\## The amount represents the difference between the Group's share of the associated company's profit based on its percentage of shareholding in the associated company and the actual share of the associated company's profit under a profit guarantee agreement entered into between the Group and the shareholder of the associated company.

Refer to this profit guarantee agreement, fixed profit is guaranteed to the Group irrespective of profit or loss of the associated company.

14 JOINT ARRANGEMENTS

(a) Joint ventures

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**1,451,101**	262,017
Capital injection to a joint venture (Note (i))	**8,161**	1
Share of results — Profit/(loss) for the year	**488,961**	(1,142)
Disposal of subsidiaries which become joint ventures	**—**	1,451,101
Acquisition of additional equity interests in joint ventures which become subsidiaries (Note (ii))	**—**	(260,876)
Ending balance	**1,948,223**	1,451,101

Notes:

(i) In 2015, the Group obtained 33.33% equity interest in Versilcraft Holdings Limited ("Versilcraft") (previously named as Best Peak Developments Limited), an unlisted entity incorporated in the British Virgin Islands, by injecting capital of US$100 (equivalent to RMB600). The joint venture has a Hong Kong subsidiary which would be engaged in a yacht building project in Hong Kong.

In 2016, Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd, a joint venture of the Group, incorporated a wholly own subsidiary named Nanjing Mingfa High District Property Co., Ltd, which was engaged in property development in Nanjing. The Group injected capital of RMB8,161,000 to the joint venture according to the share percentage of 51%.

(ii) In 2015, the Group acquired the additional 50% equity interests in Quanzhou Mingfa Huacheung Development and Construction Co., Ltd ("Quanzhou Huangchang") and Mingsheng (Quanzhou) Property Management Co., Ltd ("Mingsheng Quanzhou") from Fujian Nan'an Guanqiao Foodstaff City Investment Development Co., Ltd by consideration of the Group's 70% equity interests in one subsidiary in PRC. The transaction was completed on 31 May 2015. After the transaction, Quanzhou Huangchang and Mingsheng Quanzhou became wholly owned subsidiaries of the Group.

14 JOINT ARRANGEMENTS (continued)

(a) Joint ventures (continued)

Nature of investments in joint ventures in 2016 and 2015

Name of entity	Place of business	% of interest held	Measurement method
Superb Land Limited ("Superb Land")	Hong Kong	20%	Equity accounting
Nanjing Mingfa Technology and Commercial Town Construction Decelopment 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	Italy	33.33%	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.

As at 31 December 2016 and 2015, the Group provided guarantee of the following amount in respect of bank borrowing to a joint venture:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Superb Land	**220,704**	228,714

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.

14 JOINT ARRANGEMENTS (continued)

(a) Joint ventures (continued)

Summarised statement of financial position

	Superb Land As at 31 December		Mingfa Technological As at 31 December		Versilcraft As at 31 December	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets						
Current assets	**2,639,304**	2,377,635	**5,700,734**	3,473,294	**2,215**	40,487
Non-current assets	**—**	—	**82,690**	72,744	**47,382**	—
	2,639,304	2,377,635	**5,783,424**	3,546,038	**49,597**	40,487
Liabilities						
Current liabilities	**(98,407)**	(1,811)	**(1,963,379)**	(700,742)	**(2,423)**	—
Non-current liabilities	**(2,540,897)**	(2,375,824)	**—**	—	**(47,174)**	(40,487)
	(2,639,304)	(2,377,635)	**(1,963,379)**	(700,742)	**(49,597)**	(40,487)
Net assets	**—**	—	**3,820,045**	2,845,296	**—**	—

Summarised statements of profit or loss and other comprehensive income

	Superb Land Year ended 31 December		Mingfa Technological Year ended 31 December		Versilcraft Year ended 31 December	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Income	**—**	—	**986,410**	—	**—**	—
Expenses	**—**	—	**(27,662)**	—	**—**	(3)
(Loss)/profit after tax and other comprehensive income	**—**	—	**958,748**	—	**—**	(3)

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.

14 JOINT ARRANGEMENTS (continued)

(a) Joint ventures (continued)

Summarised statement of profit or loss and other comprehensive income (continued)

Reconciliation of summarised financial information presented to the carrying amounts of the Group's interests in joint ventures:

	Superb Land As at 31 December		Mingfa Technological As at 31 December		Versilcraft As at 31 December	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Opening net assets	**—**	—	**2,845,296**	2,845,296	**—**	3
Profit/(loss) for the year	**—**	—	**958,748**	—	**—**	(3)
Capital injection	**—**	—	**16,001**	—	**—**	—
Closing net assets	**—**	—	**3,820,045**	2,845,296	**—**	—
% of interest held	**20%**	20%	**51%**	51%	**—**	33.33%
Group's interest in joint ventures	**—**	—	**1,948,223**	1,451,101	**—**	—
Carrying amount	**—**	—	**1,948,223**	1,451,101	**—**	—

14 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 with Powerlong Group Development Co., Ltd ("Baolong"). 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	
	2016	2015
	RMB'000	RMB'000
Assets		
Current	**458,880**	464,292
Non-current	**373,118**	390,029
	831,998	854,321
Liabilities		
Current	**438,320**	468,926
Non-current	**177,000**	177,000
	615,320	645,926
Net assets	**216,678**	208,395

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Income	**33,255**	23,336
Fair value (losses)/gains on investment properties	**(16,911)**	6,925
Expenses	**(8,061)**	(32,884)
Profit/(loss) after income tax	**8,283**	(2,623)
Proportionate interest in joint operation's		
— operating lease rentals receivable	**4,477**	5,033
— financial guarantees	**34,477**	68,010

15 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 2016, completed properties held for sale of RMB1,369,219,000 (2015: RMB2,611,888,000) were pledged as collateral for the Group's borrowings (Note 24).

As at 31 December 2016, there was no impairment provision made on completed properties held for sale (2015: Nil).

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade receivables	**424,359**	653,114
Less: Provision for impairment of trade receivables (Note (b))	**(50,684)**	(50,684)
Trade receivables — net (Note (a))	**373,675**	602,430
Deposits for resettlement costs	**2,889**	2,538
Deposits for land purchases	**635,990**	18,050
Advances to group companies of non-controlling interests (Note (c))	**1,238,976**	10,000
Advances to other parties (Note (d))	**562,705**	605,766
Receivable in connection with the disposal of a joint venture (Note (e))	**—**	204,479
Other receivables (Note (f))	**446,114**	332,974
Government grant receivables	**213,946**	—
Prepayments for commission fees	**135,557**	109,595
Prepayments for construction costs	**1,067,686**	158,276
Prepaid business tax and other levies on pre-sale proceeds	**438,631**	435,330
Miscellaneous	**309**	—
	5,116,478	2,479,438
Less: Non-current portion of other receivables (Note (g))	**(15,086)**	(14,851)
Current portion	**5,101,392**	2,464,587

As at 31 December 2016 and 2015, the fair values of trade receivables, deposits for resettlement costs and land purchases, advances to group companies of non-controlling interests and other parties, receivable in connection with the disposal of a joint venture, other receivables and government grant receivables approximate their carrying amounts.

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Notes:

(a) Trade receivables 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	
	2016	2015
	RMB'000	RMB'000
Within 90 days	**54,376**	363,030
Over 90 days and within 1 year	**110,832**	86,997
Over 1 year and within 2 years	**143,640**	124,227
Over 2 years	**64,827**	28,176
	373,675	602,430

The ageing analysis of trade receivables (net of impairment losses) of the Group, based on due dates, as of the end of the year is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Neither past due nor impaired	**—**	587,297
Within 90 days	**54,376**	4,874
Over 90 days and within 1 year	**110,832**	10,259
Over 1 year and within 2 years	**143,640**	—
Over 2 years	**64,827**	—
	373,675	602,430

As at 31 December 2016, trade receivables of RMB50,684,000 (2015: RMB50,684,000) are considered impaired. The ageing of these receivables are over 1 year.

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Notes: (continued)

(b) Movements in provision for impairment of trade receivables are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**50,684**	50,737
Provision for receivable impairment	**—**	7,024
Receivables written off during the year as uncollectible	**—**	(7,077)
Ending balance	**50,684**	50,684

(c) 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.

(d) The amounts are unsecured, interest-bearing at 4.35% per annum and repayable on demand.

(e) As at 31 December 2015, the amount related to reimbursement of certain accrued expenses in connection with a disposal of equity interest to be received from the buyer.

(f) 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.

(g) In non-current other receivables is included 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%.

17 AMOUNTS DUE FROM RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Receivables from related parties		
Controlled by the controlling shareholders	**1,671**	1,374
Controlled by the common directors	**—**	5,192
Associated companies (Note 13)	**137,941**	303,430
Loan to related parties		
Joint ventures (Note 14)	**277,516**	259,072
	417,128	569,068
Less: Non-current portion comprising loan to Superb Land	**(264,254)**	(246,275)
Current portion	**152,874**	322,793

17 AMOUNTS DUE FROM RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES (continued)

As at 31 December 2016, except for an amount of RMB264,254,000 due from Superb Land (2015: RMB246,275,000), which carries interest at 2.2% per annum and will not 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 fair value of the non-current loan to Superb Land is based on cash flows discounted using a market rate which are within Level 2 of the fair value hierarchy.

The carrying amounts of amounts due from related parties, joint ventures and associated companies approximate their fair values.

18 AMOUNTS DUE FROM/(TO) NON-CONTROLLING INTERESTS

Except for the following amounts, the balances with non-controlling interests are non-trade in nature, unsecured, interest-free and repayable on demand:

— due from Nanjing Jiangbei New City Co. Ltd. at RMB180,000,000 as at 31 December 2015, which is the deposit for the acquisition of the additional equity interest in a subsidiary located in Nanjing;

— due from Xi'an Gongheng Zhiye Co., Ltd at RMB79,763,000 as at 31 December 2016, which is money lending with interest bearing at 7.15% per annum, unsecured and mature in June 2017.

The carrying amounts of amounts due from/(to) non-controlling interests approximates their fair values.

19 CASH AND CASH EQUIVALENTS/RESTRICTED CASH

As at 31 December 2016, the Group's cash of approximate RMB1,382,867,000 (2015: RMB3,076,314,000) was restricted and deposited in certain banks as security for certain borrowings (Note 24).

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.

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**276,720**	137,000
Addition	**6,150**	966,720
Disposal	**(256,720)**	(827,000)
Ending balance	**26,150**	276,720
Less: Non-current portion	**(26,150)**	(20,000)
Current portion	**—**	256,720

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Unlisted equity shares (Note (a))	**26,150**	20,000
Wealth-management products (Note (b))	**—**	256,720
	26,150	276,720

Notes:

(a) Unlisted equity shares of available-for-sale 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 2016 and 2015 from the investment cost.

(b) The interest rate of these wealth-management products as at 31 December 2015 approximates from 1.54% to 2.07% and the maturity dates were 5 January 2016 and 17 February 2016. There is no significant change in fair value of these financial assets as at 2015 from the purchase cost.

As at 31 December 2015, the wealth-management products of RMB100,000,000 were pledged as collateral for the Group's borrowings (Note 24).

21 NON-CONTROLLING INTERESTS

Material non-controlling interests

The total non-controlling interests as at 31 December 2015 amounted to RMB1,103,242,000 of which RMB345,629,000 related to Nanjing Mingfa New Town Real Estate Company Limited ("Mingfa New Town"), a PRC subsidiary and RMB397,685,000 related to Nanjing Mingmao Real Estate Co., Ltd ("Nanjing Mingmao"), a PRC subsidiary in which the non-controlling interests held an equity interest of 36% and 49% respectively. The other non-controlling interests are not material.

In 2016, the Group acquired the additional 36% equity interest in Mingfa New Town. The transaction was completed on 30 June 2016. After the transaction, Mingfa New Town became a wholly owned subsidiary of the Group.

The total non-controlling interest as at 31 December 2016 amounted to RMB820,232,000 of which RMB390,025,000 relates to Nanjing Mingmao. The other non-controlling interests are not material.

Set out below is the summarised financial information for Mingfa New Town and Nanjing Mingmao which have non-controlling interests that is material to the Group for the years ended 2016 and 2015. The financial information represents the amounts before intra-group transactions elimination.

Summarised statement of financial position

	Mingfa New Town As at 31 December		**Nanjing Mingmao As at 31 December**	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Assets	**—**	3,347,921	**5,359,749**	3,103,463
Liabilities	**—**	(2,400,961)	**(4,599,439)**	(2,055,053)
Total current net assets	**—**	946,960	**760,310**	1,048,410
Non-current				
Assets	**—**	13,121	**35,660**	13,193
Liabilities	**—**	—	**—**	(250,000)
Total non-current net assets/(liabilities)	**—**	13,121	**35,660**	(236,807)
Net assets	**—**	960,081	**795,970**	811,603

21 NON-CONTROLLING INTERESTS (continued)

Material non-controlling interests (continued)

Summarised statement of profit or loss and other comprehensive income

	Mingfa New Town Year ended 31 December		Nanjing Mingmao Year ended 31 December	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**—**	—	**—**	—
Loss before income tax	**—**	(10,422)	**(16,113)**	(11,196)
Income tax credit	**—**	2,605	**480**	2,799
Post-tax loss and other comprehensive income	**—**	(7,817)	**(15,633)**	(8,397)

21 NON-CONTROLLING INTERESTS (continued)

Material non-controlling interests (continued)

Summarised statement of cash flows

	Mingfa New Town Year ended 31 December		Nanjing Mingmao Year ended 31 December	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities:				
Cash generated from/(used in) operations	**—**	225,916	**1,624,442**	(1,036,599)
Interest received	**—**	961	**4,106**	407
Interest paid	**—**	(17,638)	**(162)**	(64,430)
PRC income tax paid	**—**	(28,102)	**(180,727)**	(4,620)
Net cash generated from/(used in) operating activities	**—**	181,137	**1,447,659**	(1,105,242)
Net cash generated from/(used in) investing activities	**—**	59,956	**4,106**	(257,056)
Net cash (used in)/generated from financing activities	**—**	(37,657)	**(1,911,461)**	2,103,842
Net increase/(decrease) in cash and cash equivalents	**—**	203,436	**(459,696)**	741,544
Cash and cash equivalents at beginning of the year	**—**	5,020	**741,544**	—
Cash and cash equivalents at end of the year	**—**	208,456	**281,848**	741,544

Significant restrictions

Same as all the other PRC subsidiaries of the Group, the cash and cash equivalents amounted to RMB281,848,000 as at 31 December 2016 (2015: RMB950,000,000) 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.

22 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent RMB
Authorised:			
At 1 January 2015, 31 December 2015 and at 31 December 2016	12,000,000,000	1,200,000,000	
Issued and fully paid:			
At 1 January 2015, 31 December 2015 and at 31 December 2016	6,093,451,026	609,345,103	536,280,877

23 DEFERRED GOVERNMENT GRANTS

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
Opening balance	**1,450,553**	1,459,979
Addition	**213,947**	—
Amortisation, credited to the consolidated statement of profit or loss	**(52,841)**	(9,426)
Ending balance	**1,611,659**	1,450,553

	As at 31 December	
	2016 **RMB'000**	2015 RMB'000
Representing:		
Original amount	**1,969,438**	1,755,491
Accumulated amortisation	**(192,169)**	(139,328)
Transfer to investment properties	**(165,610)**	(165,610)
Net book amount	**1,611,659**	1,450,553

The analysis of government grants received by the Group is as follows:

	As at 31 December	
	2016 **RMB'000**	2015 RMB'000
For the development of property projects	**1,969,438**	1,755,491

24 BORROWINGS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (Note (a))	**8,255,270**	8,509,368
Other borrowings — secured (Note (a))	**100,000**	2,805,360
Senior notes and bonds (Note (b))	**1,124,834**	674,539
	9,480,104	11,989,267
Less: Amounts due within one year	**(6,039,917)**	(6,500,760)
	3,440,187	5,488,507
Borrowings included in current liabilities		
Bank borrowings — secured (Note (a))	**1,915,037**	2,858,682
Other borrowings — guaranteed and secured (Note (a))	**1,193,700**	200,000
Other borrowings — unsecured (Note (a))	**—**	100,000
Current portion of long-term borrowings (Note (a))	**6,039,917**	6,500,760
	9,148,654	9,659,442

(a) Details on borrowings

As at 31 December 2016, the Group's certain borrowings of RMB8,476,528,000 (2015: RMB7,759,805,000) were secured by its land use rights (Note 10), properties under development (Note 12) and completed properties held for sale (Note 15).

As at 31 December 2016, the Group's certain borrowings of RMB3,041,425,000 (2015: RMB3,486,355,000) were secured by its buildings (Note 7) and investment properties (Note 8) and certain borrowings of RMB1,382,867,000 (2015: RMB2,377,890,000) were secured by its restricted cash (Note 19).

As at 31 December 2016, the Group's certain borrowings of RMB693,700,000 (2015: RMB649,360,000) were guaranteed by the controlling shareholders, Galaxy Earnest Limited which is controlled by the controlling shareholders and Growing Group Limited which is wholly-owned by Mr. Wong Wun Ming, one of the controlling shareholders, together with a charge on certain shares of the Company held by Galaxy Earnest Limited.

As at 31 December 2016, the Group's certain borrowings of RMB1,200,000,000 (2015: Nil) were guaranteed by the intermediate holding company of a non-controlling interest.

24 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 2016	**2,049,986**	**265,367**	**1,124,834**	**3,440,187**
As at 31 December 2015	1,100,764	792,439	3,595,304	5,488,507
Borrowings included in current liabilities:				
As at 31 December 2016	**5,367,303**	**3,781,351**	**—**	**9,148,654**
As at 31 December 2015	4,832,071	4,827,371	—	9,659,442

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Borrowings:		
Between 1 and 2 years	**2,219,942**	2,536,552
Between 2 and 5 years	**495,645**	2,074,844
Over 5 years	**724,600**	877,111
	3,440,187	5,488,507

24 BORROWINGS (continued)

(a) Details on borrowings (continued)

The effective interest rates of the borrowings at 31 December 2016 and 2015 were as follows:

	As at 31 December	
	2016	2015
Bank borrowings	**5.89%**	5.12%
Other borrowings	**10.66%**	10.67%
Senior notes and bonds	**11.69%**	13.25%

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 2016		
Bank borrowings (Note (i))	**2,315,353**	**2,346,256**
Senior notes and bonds (Note (ii))	**1,124,834**	**1,233,624**
	3,440,187	**3,579,880**
As at 31 December 2015		
Bank borrowings (Note (i))	3,292,262	3,526,640
Other borrowings (Note (i))	1,559,360	1,686,089
Senior notes (Note (ii))	636,885	693,337
	5,488,507	5,906,066

Notes:

(i) The fair values of non-current borrowings are based on cash flows discounted using rates based on weighted average borrowing rate of 7.32% as at 31 December 2016 (2015: 6.82%).

(ii) The fair values of senior notes are based on quoted prices in active market and are within Level 1 of the fair value hierarchy.

The fair values of current borrowings equal to their carrying amounts.

24 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.

24 BORROWINGS (continued)

(b) Senior notes issued on 1 February 2013 ("2018 Notes") (continued)

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 2015 and 2016, and is therefore not recognised.

(c) 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 A 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 2016 and is therefore not recognised.

25 DERIVATIVE FINANCIAL INSTRUMENTS

Warrants were issued together with a convertible bond which was issued on 10 December 2010. On 3 December 2015, the subscription period of warrants had expired without exercise of the warrants. The fair value change was made through profit or loss for the year ended 31 December 2015.

26 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	
	2016	2015
	RMB'000	RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	**7,283**	370,087
— to be recovered within 12 months	**297,540**	48,248
	304,823	418,335
Deferred income tax liabilities		
— to be settled after more than 12 months	**(1,756,806)**	(1,625,720)
— to be settled within 12 months	**(59,383)**	(103,510)
	(1,816,189)	(1,729,230)
	(1,511,366)	(1,310,895)

26 DEFERRED INCOME TAX (continued)

The net movement on the deferred income tax assets and deferred tax liabilities is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**1,310,895**	1,246,392
Charged to the consolidated statement of profit or loss (Note 34)	**200,471**	50,316
Disposal of subsidiaries which became joint ventures	**—**	12,683
Disposal of a subsidiary	**—**	1,504
Ending balance	**1,511,366**	1,310,895

Movement in deferred income tax assets and liabilities for the years ended 31 December 2016 and 2015, 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	Temporary differences on recognition of land appreciation tax	Temporary differences on recognition of tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016	**278,303**	**325,947**	**20,794**	**625,044**
Credited/(charged) to the consolidated statement of profit or loss	**67,023**	**(320,150)**	**64,291**	**(188,836)**
As at 31 December 2016	**345,326**	**5,797**	**85,085**	**436,208**
As at 1 January 2015	126,358	364,836	79,618	570,812
Credited/(charged) to the consolidated statement of profit or loss	151,945	(38,889)	(44,637)	68,419
Disposal of subsidiaries which became joint ventures	—	—	(12,683)	(12,683)
Disposal of a subsidiary	—	—	(1,504)	(1,504)
As at 31 December 2015	278,303	325,947	20,794	625,044

26 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 2016	**(1,129,251)**	**(102,017)**	**(324,380)**	**(380,291)**	**(1,935,939)**
(Charged)/credited to the consolidated statement of profit or loss	**(73,789)**	**—**	**131,932**	**(69,778)**	**(11,635)**
As at 31 December 2016	**(1,203,040)**	**(102,017)**	**(192,448)**	**(450,069)**	**(1,947,574)**
As at 1 January 2015	(1,000,657)	(102,017)	(338,590)	(375,940)	(1,817,204)
(Charged)/credited to the consolidated statement of profit or loss	(128,594)	—	14,210	(4,351)	(118,735)
As at 31 December 2015	(1,129,251)	(102,017)	(324,380)	(380,291)	(1,935,939)

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 RMB91,699,000 (2015: RMB94,942,000) as at 31 December 2016 in respect of accumulated losses amounting to RMB366,797,000 (2015: RMB379,768,000) as at 31 December 2016. Accumulated losses as at 31 December 2016 amounting to RMB366,797,000 will expire during years 2017 to 2021.

27 TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000 (Restated)
Trade payables (Note (a))	**7,350,749**	5,941,225
Other payables (Note (b))	**3,321,934**	2,665,335
Other taxes payable	**143,256**	339,869
	10,815,939	8,946,429
Less: Non-current portion of other payables (Note (b)(i))	**(50,000)**	(150,000)
Current portion	**10,765,939**	8,796,429

27 TRADE AND OTHER PAYABLES (continued)

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	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Within 90 days	**3,563,316**	5,494,410
Over 90 days and within 1 year	**1,441,566**	446,815
Over 1 year	**2,345,867**	—
	7,350,749	5,941,225

(b) Other payables comprise:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Deposits and advances from contractors	**545,732**	129,188
Deposits received from tenants of investment properties	**52,574**	59,314
Deposits received from customers for purchase of properties	**1,173,168**	153,123
Advances from shareholders of associated companies (Note (i))	**214,969**	366,333
Advances from other parties (Note (ii))	**582,668**	1,460,282
Consideration payable on acquisition of a joint venture	**—**	50,000
Consideration payable on acquisition of subsidiaries	**161,133**	101,768
Payable to a joint operation partner	**42,598**	43,960
Consideration received for disposal of a subsidiary	**91,200**	—
Provision for loss arising from financial guarantee agreements (Note 30(d))	**89,136**	—
Miscellaneous (Note (iii))	**368,756**	301,367
	3,321,934	2,665,335

Notes:

(i) As at 31 December 2016, except for advances from shareholders of associated companies amounted to RMB167,052,000 (2015: RMB366,333,000) for current portion which is unsecured, interest-bearing with interest rate at 10% (2015: ranging from 5.4% to 10%) per annum and repayable in 1.5 years after drawdown date, the remaining balances are unsecured, interest-free and repayable on demand.

The non-current portion of advances from shareholders of associated companies are non-trade in nature, unsecured, interest-bearing at 10% (2015: 10%) per annum, and repayable in 2 years after drawdown date.

(ii) As at 31 December 2016, except for the advances from other parties amounted to RMB478,594,000 which were unsecured, interest-bearing at 4.35% per annum and repayable on demand, the remaining balance was secured, interest-bearing at 12% per annum and repayable on demand.

As at 31 December 2015, except for advances from other parties amounted to RMB210,582,000 which are unsecured, interest-bearing at 4.35% per annum and repayable on demand, and except for an advance from other party amounted to RMB97,833,000 which was secured, interest-bearing at 12% per annum and repayable on demand, the remaining balances are unsecured, interest-free and repayable on demand.

(iii) The amount mainly comprises accruals of general and administrative expenses, salaries and operating expenses.

28 AMOUNTS DUE TO RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES

	Maximum outstanding balance during the year RMB'000	**2016 RMB'000**	2015 RMB'000
Controlling shareholder			
Mr. Wong Wun Ming	90,924	**59,015**	90,924
Companies controlled by controlling shareholders		**9,543**	—
Joint ventures (Note 14)		**3,395,218**	2,029,022
Associated companies (Note 13)		**688,238**	158,665
		4,152,014	2,278,611

The amounts due to related parties, joint ventures, and associated companies are non-trade in nature, unsecured, interest-free and repayble on demand.

The carrying amounts of amounts due to related parties, joint ventures and associated companies approximate their fair values.

29 PROVISION FOR OTHER LIABILITIES AND CHARGES

	Year ended at 31 December	
	2016 RMB'000	2015 RMB'000
Opening balance	**65,797**	9,294
Additional provision (Note 31)	**27,131**	60,877
Utilised during the year	**(27,839)**	(4,374)
Ending balance	**65,089**	65,797
Representing:		
Provided amounts	**174,298**	147,167
Utilised amounts	**(109,209)**	(81,370)
Net book amount	**65,089**	65,797

The analysis of provision for other liabilities and charges is as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Provision for delay in delivering properties	**65,089**	65,797

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 2016.

30 OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Government grants (Note (a))	**4,318**	2,248
Compensation income (Note (b))	**—**	13,538
Net loss from disposal of property, plant and equipment	**(716)**	—
Net exchange loss (Note (c))	**(265,215)**	(208,632)
Provision for loss on financial guarantee in respect of guarantee agreements (Note (d))	**(89,136)**	—
Net gain arising from disposal of equity interests in subsidiaries	**—**	50,399
Net gain arising from disposal of a subsidiary	**—**	7,456
Net gain arising from acquisition of additional interest in joint venture which become a wholly owned subsidiary	**—**	7,744
Miscellaneous	**(1,512)**	4,910
	(352,261)	(122,337)

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) In 2015, the Group received total compensation of RMB13,538,000 from the seller representing overdue interest for late transfer of the project company as agreed in the sales and purchase agreement in connection with the Group's acquisition of its 100% equity interest in January 2010.

(c) Exchange difference mainly arises from the senior notes and bonds as stated in Note 24 which is denominated in USD.

(d) A provision for loss arose from three financial guarantee agreements 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.

31 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Staff costs — including directors' emoluments (Note (a))	**306,256**	232,754
Auditor's remuneration	**4,800**	4,250
Charitable donation	**3,081**	10,873
Bad debt written off	**85,091**	—
Depreciation	**82,375**	71,080
Amortisation of land use rights	**6,515**	6,618
Cost of properties sold	**3,556,055**	1,358,121
Cost of property construction	**—**	340,665
Business tax and other levies on sales and construction of properties (Note (b))	**160,164**	105,279
Direct outgoings arising from investment properties that generate rental income	**85,619**	72,218
Operating lease expenses on land and buildings	**37,481**	55,855
Provision for impairment of receivables	**1**	7,024
Hotel operating expenses	**108,266**	136,278
Impairment of goodwill (Note 11)	**—**	3
Provision for delay in delivering properties (Note 29)	**27,131**	60,877

Notes:

(a) Staff costs (including directors' emoluments)

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Wages and salaries	**261,524**	190,858
Pension costs — defined contribution plans	**26,564**	23,275
Other allowances and benefits	**18,168**	18,621
	306,256	232,754

(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.

32 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Finance income		
— interest income on bank deposits and loan to a related party (Note 41(b))	**125,083**	72,214
Interest expenses on bank borrowings	**(803,671)**	(734,758)
Interest expenses on other borrowings and advances from other parties	**(132,344)**	(257,571)
Interest expenses on senior notes and bonds (Note 24)	**(94,583)**	(87,546)
Less: Interest capitalised	**1,030,598**	1,079,875
Finance costs	**—**	—
Net finance income	**125,083**	72,214

33 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 2016 is set out below:

Name	Fees	Salaries	Employer's contribution to a retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Wong Wun Ming (Note (i))	—	120	15	135
Mr. Huang Qingzhu	—	120	15	135
Mr. Huang Lianchun	—	46	—	46
Mr. Huang Li Shui	—	2,829	15	2,844
Independent non-executive directors				
Mr. Lau Kin Hon	206	—	—	206
Mr. Dai Yiyi (Note (ii))	206	—	—	206
Mr. Qu Wenzhou (Note (iii))	206	—	—	206
Mr. Chu Kin Wang Peleus (Note (iv))	86	—	—	86
	704	3,115	45	3,864

33 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of each executive director of the Company for the year ended 31 December 2015 is set out below:

Name	Fees	Salaries	Employer's contribution to a retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Wong Wun Ming (Note (i))	—	120	12	132
Mr. Huang Qingzhu	—	120	12	132
Mr. Huang Lianchun	—	46	—	46
Mr. Huang Li Shui	—	2,765	—	2,765
Independent non-executive directors				
Mr. Lau Kin Hon	201	—	—	201
Mr. Dai Yiyi (Note (ii))	201	—	—	201
Mr. Qu Wenzhou (Note (iii))	201	—	—	201
	603	3,051	24	3,678

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 on 1 November 2016.

(b) Five highest paid individuals

During the year ended 31 December 2016, one (2015: 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 2016 (2015: four) are set out below:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Basic salaries and allowance	**4,397**	4,251
Retirement scheme contributions	**109**	58
	4,506	4,309

33 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 2016 and 2015 presented fall within the range of following bands:

	Number of individuals	
	2016	2015
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 2016, 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 (2015: Nil).

During the year ended 31 December 2016, 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 (2015: Nil).

During the year ended 31 December 2016, no consideration was provided to or receivable by third parties for making available director's services (2015: 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 (2015: 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 (2015: Nil).

34 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Current income tax		
— PRC enterprise income tax	**155,548**	299,592
— PRC land appreciation tax		
— current year	**258,922**	33,409
— over provision in respect of prior years (Note (a))	**(964,451)**	—
	(549,981)	333,001
Deferred income tax		
— PRC enterprise income tax	**130,693**	45,965
— PRC withholding income tax	**69,778**	4,351
	200,471	50,316
	(349,510)	383,317

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	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Profit before income tax	**824,647**	742,883
PRC land appreciation tax	**705,529**	(33,409)
	1,530,176	709,474
Calculated at PRC enterprise income tax rate of 25%	**382,544**	177,368
Effect of expenses not deductible for income tax purposes (Note (b))	**68,735**	176,920
Income not subject to tax (Note (c))	**(207,408)**	(9,661)
Tax losses not recognised as deferred tax assets	**42,370**	930
PRC enterprise income tax	**286,241**	345,557
PRC land appreciation tax	**(705,529)**	33,409
PRC withholding income tax	**69,778**	4,351
Total tax (credit)/expense	**(349,510)**	383,317

34 INCOME TAX EXPENSE (continued)

Notes:

(a) A portion of provision for PRC land appreciation tax brought forward from prior years of certain subsidiaries was reversed during the year after the relevant tax authorities have confirmed the final amounts of the PRC land appreciation tax charged to the subsidiaries.

(b) 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.

(c) 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 has not been provided for as the Group has no estimated assessable profit in Hong Kong for the year ended 31 December 2016 (2015: Nil).

PRC enterprise income tax

PRC enterprise income tax is provided for at 25% (2015: 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.

35 DIVIDENDS

No interim dividend was declared and the Board does not recommend payment of final dividend for the year ended 31 December 2016 (2015: Nil).

36 EARNINGS PER SHARE

Basic and diluted

Basic earnings per share for the years ended 31 December 2016 and 2015 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.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2015, the Company has one category of dilutive potential ordinary shares: warrants. A calculation is done to determine the number of shares that could have been acquired based on the monetary value of the subscription rights attached to the warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants. On 3 December 2015, the subscription period of the warrants has expired and no warrant has been exercised during the subscription period.

For the year ended 31 December 2015, as the average market share price of the ordinary shares during the year was lower than the subscription price, the impact of exercise of warrants on earnings per share is anti-dilutive.

As there were no dilutive options and other dilutive potential shares in issue during 2016, 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	
	2016	2015 (Restated)
Profit attributable to equity holders of the Company (RMB'000)	**1,169,435**	379,042
Weighted average number of ordinary shares in issue (thousands)	**6,093,451**	6,093,451
Basic and diluted earnings per share (RMB cents)	**19.2**	6.2

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Particulars of the significant subsidiaries, associated companies and joint ventures of the Group as at 31 December 2016 and 2015 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 2016	2015	Principal activities
Subsidiaries — established in the PRC							
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
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
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
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
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. 廈門明勝投資管理有限公司	18 April 2006	Foreign investment enterprise	HK$68,000,000	HK$68,000,000	**100%**	100%	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

37 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 2016	2015	Principal activities
Subsidiaries — established in the PRC (continued)							
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
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
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
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
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
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
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

37 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 2016	2015	Principal activities
Subsidiaries — established in the PRC (continued)							
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
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

37 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 2016	2015	Principal activities
Subsidiaries — established in the PRC (continued)							
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
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 (Note (a))	24 December 2012	Domestic enterprise	RMB200,000,000	RMB200,000,000	**100%**	100%	Property development
Shenyang Mingfa Zhi Gang Real Estate Co., Ltd. 瀋陽明發智港置業有限公司 (Note (b))	1 February 2013	Domestic enterprise	RMB10,000,000	RMB10,000,000	**—**	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

37 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 2016	2015	Principal activities
Subsidiaries — established in the PRC (continued)							
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
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

37 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 2016	2015	Principal activities
Subsidiaries — established in the PRC (continued)							
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 (c))	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
Xiamen Zhong Ao Cheng Property Co., Ltd. 廈門中澳城置業有限公司 (Note (d))	16 June 2014	Domestic enterprise	RMB50,000,000	RMB50,000,000	**51%**	—	Property development
Nanjing Tian Lang Technology Development Co., Ltd. 南京天朗科技投資發展有限公司 (Note (e))	18 June 2012	Domestic enterprise	RMB100,000,000	RMB20,000,000	**100%**	—	Property development
Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. 明發集團南京千秋業水泥制品有限公司 (Note (f))	17 July 2003	Domestic enterprise	RMB20,000,000	RMB20,000,000	**100%**	—	Trading of construction materials
Nanjing Mingfa Long Wei Construction Technology Co., Ltd. 南京明發龍威建築科技有限公司 (Note (g))	3 July 2003	Domestic enterprise	RMB100,000,000	RMB100,000,000	**55%**	—	Property development
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%**	—	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%**	—	Property development

37 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 2016	2015	Principal activities
Subsidiaries — established in the PRC (continued)							
Nanjing Minghong New Real Estate Development Co., Ltd. 南京明弘新房地產開發有限公司 (Note (c))	20 October 2016	Domestic enterprise	RMB20,000,000	RMB20,000,000	**40%**	—	Property development
Mingfa Group (Ma On Shan) Environmental Construction Co., Ltd. 明發集團（馬鞍山）環境建設有限公司	14 October 2016	Foreign investment enterprise	USD20,000,000	—	**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%**	—	Property development
Chendu Mingfa Commercial Town Construction Co., Ltd 成都明發商務城建設有限公司	28 January 2010	Domestic enterprise	RMB33,000,000	RMB33,000,000	**100%**	—	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%**	—	Hotel operation
Subsidiary — incorporated in Taiwan							
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
Subsidiaries — incorporated in Hong Kong							
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

37 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 2016	2015	Principal activities
Subsidiaries — incorporated in Hong Kong (continued)							
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

37 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 2016	2015	Principal activities
Subsidiaries — incorporated in Hong Kong (continued)							
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
Subsidiaries — incorporated in British Virgin Islands							
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

* Directly held by the Company

37 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 2016	2015	Principal activities
Subsidiaries — incorporated in British Virgin Islands (continued)							
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
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	**80%**	80%	Investment holding
Sharp Pass Limited 鋭通有限公司*	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

* Directly held by the Company

37 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 2016	2015	Principal activities
Subsidiaries — incorporated in British Virgin Islands (continued)							
Easycrest Limited 易冠有限公司*	30 April 2014	Limited liability company	US$1	US$1	**100%**	100%	Property development
Associated companies — established in the PRC							
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 南京軟件谷明發通信科技發展有限公司	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
Associated companies — incorporated in British Virgin Islands							
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
Speedy Gains Limited (Note (h))	15 February 2013	Limited liability company	US$10	US$10	**—**	20%	Investment holding
Joint venture — established in the PRC							
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
Joint ventures — incorporated in British Virgin Islands							
Superb Land Limited	09 June 2014	Limited liability company	US$50,000	US$10	**20%**	20%	Investment holding
Best Peak Developments Ltd	25 September 2015	Limited liability company	US$300	US$300	**33.3%**	33.3%	Investment holding

* Directly held by the Company

37 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Notes:

(a) On 27 April 2016, the Group additionally acquired 36% interest in a subsidiary, Nanjing Mingfa New Town Real Estate Company Limited ("Mingfa New Town") at a cash consideration RMB568,845,000, after the acquisition Mingfa New Town became the Group's wholly owned subsidiary.

(b) De-registered by the Group on 30 August 2016.

(c) 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.

(d) 51% equity interest was acquired by the Group on 7 January 2016.

(e) 100% equity interest was acquired by the Group on 11 April 2016.

(f) 100% equity interest was acquired by the Group on 3 August 2016. 15% equity interest was originally held by Bloom Luck Holdings Limited, a company controlled by a controlling shareholder (Note 41a).

(g) 55% equity interest was acquired by the Group on 19 April 2016.

(h) 20% equity interest was disposed by the Group on 20 December 2016.

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.

38 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2016 and 2015.

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties (Note)	**5,093,119**	4,245,057

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.

39 COMMITMENTS

(a) Commitments for capital and property development expenditure

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Contracted but not provided for		
— Properties being developed by the Group for sale	**5,951,515**	2,236,645
— Land use rights	**2,977,963**	3,362,041
	8,929,478	5,598,686

(b) 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	
	2016	2015
	RMB'000	RMB'000
Within one year	**21,120**	31,095
In the second to fifth year, inclusive	**87,546**	70,177
Over five years	**217,970**	15,125
	326,636	116,397

39 COMMITMENTS (continued)

(c) 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	
	2016	2015
	RMB'000	RMB'000
Within one year	**105,826**	154,737
In the second to fifth year, inclusive	**606,893**	529,026
Over five years	**1,044,539**	1,055,099
	1,757,258	1,738,862

40 ACQUISITION OF SUBSIDIARIES

On 7 January 2016, the Group completed an acquisition of 51% equity interest in a PRC entity Xiamen Zhong Ao Cheng Property Co., Ltd. ("Zhong Ao Cheng") at a cash consideration of approximate RMB25,500,000.

On 19 April 2016, the Group completed an acquisition of 55% equity interest in a PRC entity Nanjing Mingfa Long Wei Construction Technology Co., Ltd. ("Long Wei") at a cash consideration of approximate RMB55,000,000.

On 3 August 2016, the Group completed an acquisition of 100% equity interest in a PRC entity Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. ("Nanjing Qianqiuye") at a cash consideration of approximate RMB200,000,000.

The directors consider these acquisitions are an asset acquisition in substance rather than a business combination, and therefore consolidated the related assets and liabilities at their respective purchased value directly into the Group's consolidated financial statements at the date of completion of the transaction.

40 ACQUISITION OF SUBSIDIARIES (continued)

The assets and liabilities acquired and the net outflow of cash on acquisition are as below:

	Zhong Ao Cheng Purchased value	Long Wei Purchased value	Nanjing Qianqiuye Purchased value	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment (Note 7)	7	106,980	15,862	122,849
Land use rights (Note 10)	330,889	23,869	207,687	562,445
Inventories	—	—	32,861	32,861
Cash and cash equivalents	184	455	552	1,191
Trade and other receivables and prepayments	69,251	37,189	12,367	118,807
Trade and other payables	(350,331)	(68,493)	(49,329)	(468,153)
Borrowings	—	—	(20,000)	(20,000)
Total net assets	50,000	100,000	200,000	350,000
Net assets acquired	25,500	55,000	200,000	280,500
Total consideration	25,500	55,000	200,000	280,500
Less: Unpaid cash consideration	—	—	(183,000)	(183,000)
Purchase consideration settled in cash	25,500	55,000	17,000	97,500
Less: Cash and cash equivalents in the subsidiaries acquired	(184)	(455)	(552)	(1,191)
Net outflow of cash on acquisition	25,316	54,545	16,448	96,309

41 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 Ming Fa 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

(iii) Common directors

Nanjing Qianqiuye#	明發集團南京千秋業水泥製品有限公司

* This company was a subsidiary of the Group before it was disposed.

\# This company was a subsidiary of the Group before it was disposed and was re-acquired on 3 August 2016 (Note 37(f)).

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.

41 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	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Interest income from loan to Superb Land, a joint venture (Note 17)	**6,552**	7,851
Acquisition of 15% equity interest of Nanjing Qianqiuye from Bloom Luck Holdings Limited, a company controlled by a controlling shareholder	**30,000**	—
Sale of properties to controlling shareholders	**—**	54,286
Sale of properties (recorded as completed properties held for sale) to close family members of controlling shareholders	**1,331**	125,714

(c) Key management compensation

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**7,713**	7,385
Retirement scheme contributions	**134**	61
	7,847	7,446

42 HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**285**	409
Investments in subsidiaries	**214**	214
	499	623
Current assets		
Other receivable	**13,418**	—
Amounts due from subsidiaries	**7,144,156**	7,520,324
Amounts due from related parties	**390,247**	11,367
Cash and cash equivalents	**4,633**	26,208
	7,552,454	7,557,899
Total assets	**7,552,953**	7,558,522
LIABILITIES		
Current liabilities		
Other payables	**98,375**	—
Amounts due to subsidiaries	**3,933,211**	1,635,394
Borrowings	**2,388,087**	3,942,693
	6,419,673	5,578,087
Net current assets	**1,132,781**	1,979,812
Total assets less current liabilities	**1,133,280**	1,980,435
Non-current liabilities		
Borrowings	**1,520,008**	1,790,148
Total liabilities	**7,939,681**	7,368,235
Net (liabilities)/assets	**(386,728)**	190,287
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**536,281**	536,281
Reserves (Note)	**(923,009)**	(345,994)
Total (deficit)/equity	**(386,728)**	190,287

On behalf of the directors

Wong Wun Ming
Director

Huang Lianchun
Director

42 HOLDING COMPANY STATEMENT OF FINANCIAL POSITION (continued)

Note:

Reserve movement of the Company

	Share premium	**Accumulated losses**	**Total**
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	631,266	(389,432)	241,834
Loss for the year	—	(587,828)	(587,828)
Balance at 31 December 2015	631,266	(977,260)	(345,994)
Loss for the year	**—**	**(577,015)**	**(577,015)**
Balance at 31 December 2016	**631,266**	**(1,554,275)**	**(923,009)**

43 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

(a) Senior notes and bonds

(i) Bonds with principal amount of US$220,000,000, interest rate at 11 per cent and due date in 2020 ("2020 Bonds A")

On 18 May 2017, the 2020 Bonds A were issued.

(ii) 2019 Bonds A

In May 2017, principal amount of US$10,000,000 of the 2019 Bonds A (Note 24) was redeemed.

(iii) 2018 Notes

On 1 February 2018, the 2018 Notes (Note 24) were redeemed.

(iv) 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.

(v) 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) Acquisition of subsidiaries

(i) On 6 April 2017, the Group completed an acquisition of 100% equity interest in a PRC entity Ma An Shan TianMu Property Co.,Ltd. and liabilities at a cash consideration of approximate RMB112,500,000.

(ii) On 2 August 2017, the Group completed an acquisition of 100% equity interest in a PRC entity Ma An Shan TianMu Spa Travel Investments Co.,Ltd. and liabilities at a cash consideration of approximate RMB67,500,000.

(iii) 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.

43 SIGNIFICANT EVENTS AFTER THE REPORTING DATE (continued)

(c) Disposal of subsidiaries

(i) Pursuant to the equity transfer agreement entered into between the Group and a third party on 11 December 2017, the Group agreed to sell entire 55% equity interest in Nanjing Mingfa Long Wei Construction Technology Co., Ltd, a subsidiary of the Group to the third party at a consideration of RMB55,000,000, which was fully received by the Group in December 2017 and the disposal was completed by the end of 2017.

(ii) 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 COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with current year's presentation.

45 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				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Revenue	**5,089,696**	3,039,665	3,792,610	6,269,093	3,741,096
Profit before income tax	**824,647**	742,883	1,736,932	2,302,942	2,545,769
Income tax credit/(expense)	**349,510**	(383,317)	(680,772)	(926,628)	(786,481)
Profit for the year	**1,174,157**	359,566	1,056,160	1,376,314	1,759,288
Attributable to:					
Equity holders of the Company	**1,169,435**	379,042	829,310	1,399,229	1,764,745
Non-controlling interests	**4,722**	(19,476)	226,850	(22,915)	(5,457)
	1,174,157	359,566	1,056,160	1,376,314	1,759,288

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Total assets	**60,904,508**	51,886,873	40,570,688	35,371,471	32,314,091
Total liabilities	**(47,641,759)**	(39,309,297)	(28,861,496)	(24,128,713)	(22,473,146)
Non-controlling interests in equity	**(820,232)**	(1,103,242)	(625,822)	(988,671)	(972,158)
	12,442,517	11,474,334	11,083,370	10,254,087	8,868,787

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 71 to 205, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER

As disclosed in the Company's 2016 annual report, the independent auditor's report on the consolidated financial statements of the Group contained a qualified opinion due to audit scope limitations relating to whether consolidating an investee into the Group's 2015 consolidated financial statements and not recognising the gain on disposal of the Group's 51% equity interest in the investee was appropriate. Any adjustments, if necessary, to account for the sale of the Group's 51% equity interest in the investee during the year ended 31 December 2015 and to de-consolidate the investee in 2015 consolidated financial statements would have consequential impacts on the consolidated statement of profit or loss, consolidated statement of other comprehensive income and the elements making up the consolidated statement of cash flows for the year ended 31 December 2016 and the related disclosures thereof in 2016 consolidated financial statements.

Accordingly, we draw attention to the possible effect of the matter mentioned in the above on the comparability of the related 2017 figures and the 2016 figures in the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and the related disclosures thereof in the consolidated financial statements.

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 RMB8,567,027,000 as at 31 December 2017, with a fair value gain for the year then ended of approximately RMB311,966,000 recorded in the consolidated statement of profit or loss.

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 RMB14,285,914,000 and RMB9,622,216,000 respectively as at 31 December 2017. 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.

KEY AUDIT MATTERS (continued)

Impairment assessment of properties under development and completed properties held for sale (continued)

Our major procedures in relation to management's assessments of the net realisable value of the 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.

As part of an audit in accordance with HKSAs, 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.

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

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

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

From the matters communicated with the 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 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenues	5	**10,071,416**	5,089,696
Cost of sales		**(7,653,174)**	(3,942,243)
Gross profit		**2,418,242**	1,147,453
Fair value gains on investment properties	7	**311,966**	295,157
Other income and other gains and losses	28	**192,705**	(352,261)
Selling and marketing costs		**(459,947)**	(265,556)
General and administrative expenses		**(689,598)**	(670,142)
Operating profit		**1,773,368**	154,651
Finance income	30	**100,529**	125,083
Finance costs	30	**—**	—
Finance income — net	30	**100,529**	125,083
Share of results of			
— Associated companies	12	**34,768**	55,952
— Joint ventures	13	**(9,849)**	488,961
		24,919	544,913
Profit before income tax	29	**1,898,816**	824,647
Income tax (expense)/credit	32	**(713,365)**	349,510
Profit for the year		**1,185,451**	1,174,157
Attributable to:			
Equity holders of the Company		**1,024,220**	1,169,435
Non-controlling interests		**161,231**	4,722
		1,185,451	1,174,157
Earnings per share for profit attributable to equity holders of the Company (RMB cents)	34		
— Basic		**16.8**	19.2
— Diluted		**16.8**	19.2

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit for the year	**1,185,451**	1,174,157
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
— Currency translation differences	**3,585**	7,132
Item that will not be reclassified subsequently to profit or loss		
— Revaluation deficit upon transfer of an owner-occupied property to an investment property	**(1,093)**	—
Other comprehensive income for the year, net of tax	**2,492**	7,132
Total comprehensive income for the year	**1,187,943**	1,181,289
Attributable to:		
Equity holders of the Company	**1,026,712**	1,176,567
Non-controlling interests	**161,231**	4,722
	1,187,943	1,181,289

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,638,606**	1,784,249
Investment properties	7	**8,567,027**	8,168,835
Land use rights	9	**164,699**	189,722
Goodwill	10	**7,169**	7,169
Investments in associated companies	12	**1,417,372**	1,323,227
Investments in joint ventures	13	**1,965,796**	1,948,223
Deferred income tax assets	24	**529,045**	304,823
Available-for-sale financial assets	19	**30,150**	26,150
Amount due from a joint venture	16	**274,455**	264,254
Other receivables	15	**185,086**	15,086
Prepayments or deposits for land use rights	8	**2,526,790**	2,848,526
		17,306,195	16,880,264
Current assets			
Land use rights	9	**16,592,338**	13,176,631
Properties under development	11	**14,285,914**	11,471,804
Completed properties held for sale	14	**9,622,216**	9,601,913
Inventories		**41,578**	44,582
Trade and other receivables and prepayments	15	**4,841,047**	5,101,392
Prepaid income taxes		**459,744**	605,471
Amounts due from related parties, joint ventures and associated companies	16	**571,350**	152,874
Amounts due from non-controlling interests	17	**256,860**	196,572
Restricted cash	18	**366,363**	1,382,867
Cash and cash equivalents	18	**2,849,226**	2,290,138
		49,886,636	44,024,244
Total assets		**67,192,831**	60,904,508

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	25	**12,466,560**	10,765,939
Advanced proceeds received from customers		**15,720,183**	14,802,354
Amounts due to related parties, joint ventures and associated companies	26	**5,327,292**	4,152,014
Amounts due to non-controlling interests	17	**697,451**	668,680
Income tax payable		**1,619,197**	1,120,994
Borrowings	23	**10,254,139**	9,148,654
Provision for other liabilities and charges	27	**65,064**	65,089
		46,149,886	40,723,724
Net current assets		**3,736,750**	3,300,520
Total assets less current liabilities		**21,042,945**	20,180,784
Non-current liabilities			
Deferred government grants	22	**1,641,326**	1,611,659
Borrowings	23	**2,611,106**	3,440,187
Deferred income tax liabilities	24	**1,974,243**	1,816,189
Other payables	25	**400,000**	50,000
		6,626,675	6,918,035
Total liabilities		**52,776,561**	47,641,759
Net assets		**14,416,270**	13,262,749

As at 31 December 2017

	Note	As at 31 December **2017** **RMB'000**	 2016 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**536,281**	536,281
Reserves		**12,932,948**	11,906,236
		13,469,229	12,442,517
Non-controlling interests	20	**947,041**	820,232
Total equity		**14,416,270**	13,262,749

On behalf of the directors

Wong Wun Ming
Director

Huang Lianchun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Capital and reserves attributable to equity holders of the Company											
	Share capital RMB'000 (Note 21)	Merger reserve RMB'000 (Note (a))	Share premium RMB'000 (Note (b))	Revaluation surplus RMB'000 (Note (c))	Contributions from equity holders RMB'000 (Note (d))	Statutory reserves RMB'000 (Note (e))	Other reserves RMB'000 (Note (f))	Translation reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2016												
As previously reported	536,281	146,601	631,266	258,943	209,196	125,509	1,235	(16,182)	9,228,537	11,121,386	1,103,242	12,224,628
Prior year adjustment	—	—	—	—	—	—	—	—	352,948	352,948	—	352,948
As restated	536,281	146,601	631,266	258,943	209,196	125,509	1,235	(16,182)	9,581,485	11,474,334	1,103,242	12,577,576
Comprehensive income												
Profit for the year	—	—	—	—	—	—	—	—	1,169,435	1,169,435	4,722	1,174,157
Other comprehensive income												
— Currency translation differences	—	—	—	—	—	—	—	7,132	—	7,132	—	7,132
Total comprehensive income for the year	—	—	—	—	—	—	—	7,132	1,169,435	1,176,567	4,722	1,181,289
Transactions with owners												
Capital injection to subsidiaries by non-controlling interests	—	—	—	—	—	—	—	—	—	—	72,729	72,729
Change in ownership interest in a subsidiary	—	—	—	—	—	—	(208,384)	—	—	(208,384)	(360,461)	(568,845)
	—	—	—	—	—	—	(208,384)	—	—	(208,384)	(287,732)	(496,116)
Balance at 31 December 2016	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
Comprehensive income												
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
Transactions with owners												
Capital injection to subsidiaries by non-controlling interests	—	—	—	—	—	—	—	—	—	—	11,106	11,106
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(45,528)	(45,528)
Balance at 31 December 2017	**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**

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 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Operating activities			
Profit before income tax for the year		**1,898,816**	824,647
Adjustments for:			
Interest income		**(100,529)**	(125,083)
Depreciation		**86,671**	82,375
Share of results of associated companies		**(34,768)**	(55,952)
Share of results of joint ventures		**9,849**	(488,961)
Amortisation of land use rights		**11,604**	6,515
Fair value gains on investment properties		**(311,966)**	(295,157)
Additional provision for impairment of receivables		**2**	1
Net (gain)/loss from disposal of property, plant and equipment		**(420)**	716
Net exchange loss on cash and borrowings		**211,048**	265,215
Additional provision for delay in delivering properties		**2,448**	27,131
Loss on disposal of a subsidiary		**12,489**	—
Operating profit before working capital changes		**1,785,244**	241,447
Properties under development		**(1,804,183)**	(834,271)
Completed properties held for sale		**(54,586)**	(2,690,334)
Land use rights		**(3,917,125)**	(2,601,861)
Restricted cash relating to operating activities		**7,556**	(7,790)
Inventories		**3,004**	3,348
Trade and other receivables and prepayments		**(346,460)**	(1,329,115)
Trade and other payables		**1,072,093**	2,408,441
Advance proceeds received from customers		**917,829**	8,083,048
Provision for delay in delivering properties		**(2,473)**	(27,839)
Net cash (used in)/generated from operations		**(2,339,101)**	3,245,074
Interest received		**100,529**	125,083
Interest paid		**(991,569)**	(1,030,598)
Income tax paid		**(135,603)**	(1,157,195)
Net cash (used in)/generated from operating activities		**(3,365,744)**	1,182,364

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Investing activities			
Additions of property, plant and equipment		**(41,566)**	(223,573)
Additions of investment properties		**(46,108)**	(85,731)
Net cash advances (made to)/received from related parties		**(298)**	4,895
Net cash advances received from other parties		**562,705**	43,061
Net cash advances made to group companies of non-controlling interest		**(84,630)**	(1,228,976)
(Advances to)/repayment from associated companies		**(259,141)**	165,489
Loans to joint ventures		**(169,238)**	(18,444)
Proceeds from sale of property, plant and equipment		**1,431**	1,300
Proceeds from sales of investment properties		**10,104**	39,140
Additions of available-for-sale financial assets	19	**(4,000)**	(6,150)
Sales proceeds from available-for-sale financial assets	19	**—**	256,720
Acquisition of subsidiaries, net of cash acquired	38	**(91,517)**	(96,309)
Payments for acquisition of addition interest in a subsidiary		**—**	(568,845)
Capital injection to an associated company		**(55,600)**	—
Disposal of subsidiaries, net of cash disposed	39	**53,413**	—
Capital injection to a joint venture		**(27,422)**	(8,161)
Net cash used in investing activities		**(151,867)**	(1,725,584)
Financing activities			
Drawdown of borrowings		**4,078,005**	3,605,996
Repayments of borrowings		**(3,023,064)**	(5,427,304)
Net cash advances (repaid to)/received from non-controlling interests		**(31,517)**	192,467
Net cash advances received from/(repaid to) related parties		**630,428**	(22,366)
Net cash advances received from a joint venture		**540,923**	1,366,196
Net cash advances received from an associated company		**3,927**	529,573
Net cash advances repaid to other parties		**(472,355)**	(877,614)
Net cash advances received from/(repaid to) shareholder of associated companies and joint ventures		**1,136,705**	(151,364)
Net cash advances received from group companies of non-controlling interests		**196,026**	—
Decrease in restricted cash relating to financing activities		**1,008,948**	1,701,237
Capital contribution from non-controlling interests		**11,106**	—
Net cash generated from financing activities		**4,079,132**	916,821
Effect of foreign exchange rate changes on cash		**(2,433)**	1,389
Net increase in cash and cash equivalents		**559,088**	374,990
Cash and cash equivalents at beginning of the year		**2,290,138**	1,915,148
Cash and cash equivalents at end of the year	18	**2,849,226**	2,290,138

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 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 available-for-sale 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) Adoption of new/revised HKFRSs — effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated financial statements, Note 42.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

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

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities

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 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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

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.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[2]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[2]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[2]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[2]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2020
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.
5 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)

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at 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.

Impact on adoption

(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.

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 9 — Financial Instruments (continued)

Impact on adoption (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 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 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)

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

HKFRS 9 — Financial Instruments (continued)

Impact on adoption (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)

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

HKFRS 9 — Financial Instruments (continued)

Impact on adoption (continued)

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

As of 1 January 2018, certain unquoted equity investments will be 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 will designate such unquoted equity instrument at the date of initial application as measured at FVTOCI. The directors consider that there will be no opening adjustment is required because these investments will be 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**
Available-for-sale financial assets	Available-for-sale (at fair value)	FVTOCI (equity instruments)
Amounts due from related parties	Loans and receivables	Amortised cost
Amounts due from non-controlling interests	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Restricted cash	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

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 9 — Financial Instruments (continued)

Impact on adoption (continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 will change 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 will be subject to ECLs model but the impairment is assessed to be immaterial.

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 will elect to measure loss allowances for trade receivables using HKFRS 9 simplified approach and will calculate ECLs based on lifetime ECLs. The Group will establish 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 will be 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. The Group's debt investment at FVTOCI are considered to have low credit risk since the issuers' credit rating are high.

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

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 9 — Financial Instruments (continued)

Impact on adoption (continued)

(ii) Impairment of financial assets (continued)

Measurement of ECLs (continued)

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.

Impact of the ECLs model

(I) Impairment of trade receivables

As mentioned above, the Group will apply the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. The provision rates are based grouping of trade receivables with shared credit risk characteristics and the days past due.

(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 will closely monitor the credit qualities and collectability of the other financial assets.

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 9 — Financial Instruments (continued)

Impact on adoption (continued)

(iii) Hedge accounting

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

(iv) Transition

The Group will apply 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 will therefore not be reflected in the statement of financial position as at 31 December 2017, but will be 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 will be recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 will not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments will be 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.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price

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 15 — Revenue from Contracts with Customers (continued)

- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Impact on adoption

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 will elect 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 will not be restated and will continue to be reported under HKAS 11 and HKAS 18. As allowed by practical expedient in HKFRS 15, the Group will apply 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)

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

HKFRS 15 — Revenue from Contracts with Customers (continued)

Impact on adoption (continued)

Management of the Company reviewed the business model of the Group and contracts with customers and assessed 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 will be capitalised as contract assets 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 will not have significant impact on the Group. Management of the Company also consider that the application of HKFRS 15 will 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.

The Group assessed that there will be 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 accounting policies are set out below:

(i) Timing of revenue recognition

Before adoption of the new standard, revenue arising from sales of properties is generally recognised as revenue when the significant risks and rewards of ownership of the properties are transferred to the buyers, whereas revenue from provision of services is recognised when the relevant services are provided to the customers.

Under HKFRS 15, revenue will be recognised when the customer obtains control of the promised goods or service in the contract. This may be at a point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised goods or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

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 15 — Revenue from Contracts with Customers (continued)

Impact on adoption (continued)

(i) Timing of revenue recognition (continued)

(b) When the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three conditions, then under HKFRS 15 the entity recognises revenue from sales of that goods or service at a point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 will not have significant impact on when the Group recognises revenue from provision of services, including services in relation to hotel operation and other ancillary services, property investment and management and security services.

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

In current and 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.

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 15 — Revenue from Contracts with Customers (continued)

Impact on adoption (continued)

(i) Timing of revenue recognition (continued)

The Group assesses that there will be no enforceable right to payment from the customers for performance completed to date and the adoption of HKFRS 15 will not have an impact on the timing of revenue recognition.

(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 will apply 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. The Group assesses that the adoption of HKFRS 15 will have 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 or a financing component, if significant. Receipts in advance that are classified under "Advanced proceeds received from customers" before adopting the new standard will be reclassified to contract liabilities as at 1 January 2018. The Group assesses that the adoption application of HKFRS 15 will have no significant impact on the opening retained earnings as at 1 January 2018.

Amendments to 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.

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.

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 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.

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.

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 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.

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)

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.

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.

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)

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.

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.

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 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.

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.

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 1 and HKAS 8 — Definition of Materials

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.

Except for the possible impacts of adoption of HKFRS 9, 15 and 16 as discussed above, the Group does not expect the adoption of the pronouncement will result in significant impact on the Group's results and financial position.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

(i) Consolidation (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

(i) Consolidation (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

- ***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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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) Trade and other 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.

(q) 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.

(r) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Held-to-maturity investments (continued)

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.

(s) 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.

(t) 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)

(u) 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)

(v) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(w) 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)

(x) Financial guarantee liabilities

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.

(y) 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Revenue recognition

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.

(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) Decoration services

Revenue from decoration services is recognised in the accounting period in which the services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Revenue recognition (continued)

(vi) 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.

(vii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(aa) 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)

(ab) 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.

(ac) 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**	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**207,931**	10,906	**2,658,722**	3,613,857
HKD	**637,481**	298,020	**1,035,243**	622,994

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
As at 31 December 2017		
USD	**5%**	**(122,414)**
HKD	**5%**	**(15,982)**
As at 31 December 2016		
USD	5%	(180,030)
HKD	5%	(14,618)

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 2016.

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 amounts due from non-controlling interests (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 2017, if interest rates at borrowings in 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 RMB6,297,000 (2016: RMB7,535,000) 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)

(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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2017					
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**
	35,036,578	**2,638,917**	**481,195**	**249,929**	**38,406,619**
As at 31 December 2016					
Borrowings	9,148,654	2,316,920	804,622	318,645	12,588,841
Interest payments on borrowings (Note)	720,833	136,057	120,579	27,444	1,004,913
Trade and other payables	10,765,939	50,000	—	—	10,815,939
Amounts due to related parties, joint ventures and associated companies	4,152,014	—	—	—	4,152,014
Amounts due to non-controlling interests	668,680	—	—	—	668,680
Financial guarantees	5,093,119	—	—	—	5,093,119
	30,549,239	2,502,977	925,201	346,089	34,323,506

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2017 and 2016 respectively without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2017 and 2016 respectively.

(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.

3 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk management (continued)

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 2017 and 2016 were as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Borrowings	**12,865,245**	12,588,841
Less: Cash and cash equivalents and restricted cash	**(3,215,589)**	(3,673,005)
Net debt	**9,649,656**	8,915,836
Total equity	**14,416,270**	13,262,749
Total capital	**24,065,926**	22,178,585
Gearing ratio	**40.1%**	40.2%

(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).

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	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Available-for-sale financial assets	**—**	**—**	**30,150**	**30,150**

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets	—	—	26,150	26,150

(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 year ended 31 December 2017 and 2016:

	Available-for-sale financial assets	
	2017	2016
	RMB'000	RMB'000
Opening balance	**26,150**	276,720
Additions	**4,000**	6,150
Disposals	**—**	(256,720)
Closing balance	**30,150**	26,150
Total gains or losses for the year included in profit or loss for available-for-sale financial assets held at the end of the year	**—**	—

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

Assets	As at 31 December 2017 RMB'000	2016 RMB'000
Loans and receivables		
Trade and other receivables	**3,027,027**	3,474,604
Amounts due from related parties, joint ventures and associated companies	**845,805**	417,128
Amounts due from non-controlling interests	**256,860**	196,572
Restricted cash	**366,363**	1,382,867
Cash and cash equivalents	**2,849,226**	2,290,138
	7,345,281	7,761,309
Available-for-sale financial assets	**30,150**	26,150
Total	**7,375,431**	7,787,459

Liabilities	As at 31 December 2017 RMB'000	2016 RMB'000
Financial liabilities at amortised cost		
Borrowings	**12,865,245**	12,588,841
Trade and other payables (excluding other taxes payable)	**12,708,662**	10,672,683
Amounts due to related parties, joint ventures and associated companies	**5,327,292**	4,152,014
Amounts due to non-controlling interests	**697,451**	668,680
Total	**31,598,650**	28,082,218

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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.

(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.

5 REVENUES AND SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four 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;

(iv) the property construction segment engaged in construction operation and was inactive.

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.

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.

5 REVENUES AND SEGMENT INFORMATION (continued)

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 available-for-sale 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 2017 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	Property construction 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)
Revenues	548,616	9,030,119	226,195	257,089	—	9,397	—	10,071,416
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
Other segment information								
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

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	Property construction 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
Available-for-sale 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)

(a) Segment information (continued)

The segment results and other segment items for the year ended 31 December 2016 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	Property construction RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	286,008	4,385,631	189,244	231,767	—	1,121	—	5,093,771
Inter-segment revenues	—	—	(4,075)	—	—	—	—	(4,075)
Revenues	286,008	4,385,631	185,169	231,767	—	1,121	—	5,089,696
Operating profit/(loss)	5,416	120,651	(21,886)	352,980	—	(302,510)	—	154,651
Finance income — net								125,083
Share of results of associated companies	(132)	625	—	56,182	—	(723)	—	55,952
Share of results of joint ventures	488,961	—	—	—	—	—	—	488,961
Profit before income tax								824,647
Income tax credit								349,510
Profit for the year								1,174,157
Other segment information								
Capital and property development expenditure	565,793	5,379,164	418,784	100,319	—	15,769	—	6,479,829
Depreciation	7,319	36,557	36,301	2,071	—	127	—	82,375
Amortisation of land use rights as expenses	—	6,439	—	—	—	76	—	6,515
Fair value gains on investment properties	—	—	—	295,157	—	—	—	295,157

5 REVENUES AND SEGMENT INFORMATION (continued)

(a) Segment information (continued)

The segment assets and liabilities as at 31 December 2016 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	Property construction RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	12,484,156	45,801,700	2,687,937	12,777,647	—	11,542,828	(28,597,654)	56,696,614
Associated companies	148,241	46,038	—	973,353	—	155,595	—	1,323,227
Joint ventures	1,948,223	—	—	—	—	—	—	1,948,223
	14,580,620	45,847,738	2,687,937	13,751,000	—	11,698,423	(28,597,654)	59,968,064
Unallocated:								
Deferred income tax assets								304,823
Prepaid income taxes								605,471
Available-for-sale financial assets								26,150
Total assets								60,904,508
Segment liabilities	11,765,616	25,213,483	926,543	7,915,158	—	14,892,589	(28,597,654)	32,115,735
Unallocated:								
Deferred income tax liabilities								1,816,189
Borrowings								12,588,841
Income tax payable								1,120,994
Total liabilities								47,641,759

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Revenues

Turnover of the Group comprises revenues recognised as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Sale of properties		
— commercial	**548,616**	286,008
— residential	**9,030,119**	4,385,631
	9,578,735	4,671,639
Hotel operating income	**226,195**	185,169
Rental income		
— from investment properties	**169,584**	156,274
— others	**30,303**	30,764
Property management fee income	**57,202**	44,729
Miscellaneous income	**9,397**	1,121
	10,071,416	5,089,696

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
Cost							
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 38)	—	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 (Note 39)	—	—	—	(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
Accumulated depreciation							
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 (Note 39)	—	—	—	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)
Net book value							
As at 31 December 2017	453,789	1,066,749	6,081	34,868	35,864	41,255	1,638,606

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
Cost							
As at 1 January 2016	533,051	876,134	11,905	86,284	110,456	46,071	1,663,901
Acquisition of subsidiaries	—	—	5,980	86	395	116,388	122,849
Additions	179,472	21,234	364	8,034	14,213	256	223,573
Transfer upon completion	(273,869)	273,869	—	—	—	—	—
Disposals	—	(96)	(2)	(305)	(5,704)	(852)	(6,959)
Transfer from investment properties (Note 7)	—	140,792	—	—	—	—	140,792
As at 31 December 2016	438,654	1,311,933	18,247	94,099	119,360	161,863	2,144,156
Accumulated depreciation							
As at 1 January 2016	—	(141,886)	(9,786)	(52,803)	(75,276)	(2,724)	(282,475)
Charge for the year	—	(51,549)	(1,450)	(9,098)	(11,049)	(9,229)	(82,375)
Disposals	—	—	2	250	4,691	—	4,943
As at 31 December 2016	—	(193,435)	(11,234)	(61,651)	(81,634)	(11,953)	(359,907)
Net book value							
As at 31 December 2016	438,654	1,118,498	7,013	32,448	37,726	149,910	1,784,249

Depreciation of property, plant and equipment of RMB86,671,000 (2016: RMB82,375,000) has been charged to the consolidated statement of profit or loss.

As at 31 December 2017, certain buildings of RMB405,405,000 (2016: 430,925,000) 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 2017 (2016: Nil).

7 INVESTMENT PROPERTIES

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance	**8,168,835**	8,406,161
Additions	**46,108**	85,731
Transfer from property, plant and equipment (Note 6)	**10,945**	—
Transfer to property, plant and equipment (Note 6)	**—**	(140,792)
Transfer from land use rights (Note 9)	**3,807**	988
Transfer from completed properties held for sale	**36,563**	30,730
Transfer to completed properties held for sale	**—**	(470,000)
Fair value gains	**311,966**	295,157
Revaluation deficit upon transfer of an owner-occupied property to investment property	**(1,093)**	—
Disposals	**(10,104)**	(39,140)
Ending balance	**8,567,027**	8,168,835

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 RMB896,000,000 as at 31 December 2017 (2016: RMB760,000,000).

The Group's interests in investment properties at their net book values are analysed as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
In the PRC, held on leases of 10–50 years	**8,567,027**	8,168,835

As at 31 December 2017, investment properties of RMB2,630,500,000 (2016: RMB2,610,500,000) were pledged as collateral for the Group's borrowings (Note 23).

7 INVESTMENT PROPERTIES (continued)

Fair value hierarchy

	Fair value measurements at 31 December 2017 using		
Description	**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**
Total	**—**	**—**	**8,567,027**

	Fair value measurements at 31 December 2016 using		
Description	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	—	—	7,408,835
— Investment properties under development	—	—	760,000
Total	—	—	8,168,835

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.

7 INVESTMENT PROPERTIES (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	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 investment properties	**(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**

	Year ended 31 December 2016		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	7,409,161	997,000	8,406,161
Additions	—	85,731	85,731
Transfer from land use rights (Note 9)	988	—	988
Transfer to property, plant and equipment (Note 6)	(140,792)	—	(140,792)
Transfer from completed properties held for sale	30,730	—	30,730
Transfer to completed properties held for sale	—	(470,000)	(470,000)
Fair value gains	147,888	147,269	295,157
Disposals	(39,140)	—	(39,140)
Ending balance	7,408,835	760,000	8,168,835
Total gains for the year included in profit or loss under fair value gains on investment properties	147,888	147,269	295,157

7 INVESTMENT PROPERTIES (continued)

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2017 and 2016 by the independent 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.

7 INVESTMENT PROPERTIES (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

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

Description	Fair value at 31 December 2016 RMB'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	7,408,835	Income capitalisation approach	Rental value	RMB24–610 per month per square metre	The higher the market rent, the higher the fair value
			Term yield	5.00%–6.00%	The higher the term yield, the lower the fair value
			Reversionary yield	5.50%–8.50%	The higher the reversionary yield, the lower the fair value
Investment properties under development	760,000	Direct comparison with estimated costs to complete	Estimated costs to completion	RMB526,000,000	The higher the estimated costs, the lower the fair value
			Direct comparison value	RMB7,800–9,100 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	15%–18% 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 RIGHTS

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	
	2017	2016
	RMB'000	RMB'000
Opening balance	**13,366,353**	10,541,077
Additions	**5,456,194**	3,061,954
Acquisition of subsidiaries (Note 38)	**197,912**	562,445
Amortisation		
— capitalised in properties under development	**(1,009,993)**	(327,492)
— recognised as expenses	**(11,604)**	(6,515)
Transfer to cost of sales	**(1,219,613)**	(481,942)
Transfer to investment properties (Note 7)	**(3,807)**	(988)
Disposal of a subsidiary (Note 39)	**(22,628)**	—
Exchange differences	**4,223**	17,814
Ending balance	**16,757,037**	13,366,353
Land use rights		
— relating to property, plant and equipment under non-current assets	**164,699**	189,722
— relating to properties developed for sale under current assets	**16,592,338**	13,176,631
	16,757,037	13,366,353

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 RMB11,604,000 (2016: RMB6,515,000) has been charged to the general and administrative expenses.

As at 31 December 2017, land use rights of RMB4,586,121,000 (2016: RMB4,282,450,000) were pledged as collateral for the Group's borrowings (Note 23).

10 GOODWILL

Goodwill arising from acquisitions:

	Year ended 31 December	
	2017	2016
	RMB'000	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	
	2017	2016
	RMB'000	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	
	2017	2016
	RMB'000	RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	**11,457,465**	8,893,517
Interest capitalised	**2,828,449**	2,578,287
	14,285,914	11,471,804

The properties under development are all located outside Hong Kong and primarily in mainland China.

As at 31 December 2017, properties under development of RMB1,794,915,000 (2016: RMB2,824,859,000) were pledged as collateral for the Group's borrowings (Note 23).

The capitalisation rate of borrowings was 7.71% for the year ended 31 December 2017 (2016: 8.19%).

As at 31 December 2017, properties under development amounting to approximately RMB11,244,531,000 (2016: RMB9,816,323,000) were not expected to be realised within twelve months from the end of the reporting period.

12 INVESTMENTS IN ASSOCIATED COMPANIES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance	**1,323,227**	1,271,763
Additions	**55,600**	—
Share of results — Profit for the year	**34,768**	55,952
Share of other comprehensive income — Exchange differences	**3,777**	(4,488)
Ending balance	**1,417,372**	1,323,227

12 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

Nature of investments in associated companies in 2017 and 2016

Name of entity	Place of business	% of interest held	Measurement method
Eagle Rights Limited ("Eagle Rights") 鈞濠有限公司	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 Mingfa Technology 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
Speedy Gains Limited ("Speedy Gains")#	Hong Kong	20%	Equity accounting
Jiangsu Zhuye Construction Technology Development Co., Ltd. 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	50%	Equity accounting

\# disposed during the year 2016.

* acquired during the year 2017.

^ On 23 February 2017, the name of the company changed from Nanjing Software Valley Mingfa Communication Technology Development Co., Ltd (南京軟件谷明發通信科技發展有限公司) to Nanjing Software Valley Qichuang Communication Technology Co., Ltd (南京軟件谷奇創通信科技有限公司).

As at 31 December 2017 and 2016, the Group provided guarantees of the following amounts in respect of bank borrowings to its associated companies:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Mingfa Tongxin	**400,000**	400,000
Software Valley Mingfa	**800,000**	800,000
Total	**1,200,000**	1,200,000

12 INVESTMENTS IN ASSOCIATED COMPANIES (continued)

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 As at 31 December		Shimao Mingfa As at 31 December		Mingfa Tongxin As at 31 December		Software Valley Mingfa As at 31 December		Others As at 31 December	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets										
Current assets	**107,033**	113,056	**733,679**	555,189	**174,385**	1,324,637	**747,710**	917,097	**200,747**	—
Non-current assets	**84,075**	87,193	**107**	134	**1,291,858**	491	**2,796,697**	2,787,352	**5,724**	—
	191,108	200,249	**733,786**	555,323	**1,466,243**	1,325,128	**3,544,407**	3,704,449	**206,471**	—
Liabilities										
Current liabilities	**(45,422)**	(62,121)	**(476,573)**	(297,990)	**(47,422)**	(12,228)	**(491,521)**	(492,239)	**(108,466)**	—
Non-current liabilities	**—**	—	**—**	—	**(1,173,000)**	(1,075,000)	**(1,118,302)**	(1,283,302)	**—**	—
	(45,422)	(62,121)	**(476,573)**	(297,990)	**(1,220,422)**	(1,087,228)	**(1,609,823)**	(1,775,541)	**(108,466)**	—
Net assets	**145,686**	138,128	**257,213**	257,333	**245,821**	237,900	**1,934,584**	1,928,908	**98,005**	—

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		Others Year ended 31 December	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Income	**22,558**	22,739	**—**	—	**21,628**	—	**46,753**	147,425	**—**	—
Expenses	**(26,333)**	(20,864)	**(120)**	(350)	**(62,670)**	(1,476)	**(41,077)**	(105,748)	**—**	—
(Loss)/profit after tax	**(3,775)**	1,875	**(120)**	(350)	**(41,042)**	(1,476)	**5,676**	41,677	**—**	—
Other comprehensive income										
— Exchange differences	**11,333**	(13,466)	**—**	—	**—**	—	**—**	—	**—**	—
Total comprehensive income	**7,558**	(11,591)	**(120)**	(350)	**(41,042)**	(1,476)	**5,676**	41,677	**—**	—

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

	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		Others As at 31 December	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Opening net assets	**138,128**	149,719	**257,333**	257,683	**237,900**	239,376	**1,928,908**	1,887,231	**—**	—
Addition	**—**	—	**—**	—	**48,963**	—	**—**	—	**98,005**	—
(Loss)/profit for the year	**(3,775)**	1,875	**(120)**	(350)	**(41,042)**	(1,476)	**5,676**	41,677	**—**	—
Exchange differences	**11,333**	(13,466)	**—**	—	**—**	—	**—**	—	**—**	—
Closing net assets	**145,686**	138,128	**257,213**	257,333	**245,821**	237,900	**1,934,584**	1,928,908	**98,005**	—
% of interest held	**33.33%**	33.33%	**37.5%**	37.5%	**49%**	49%	**48%**	48%	**20-50%**	—
Group's investments in associated companies	**48,558**	46,039	**96,455**	96,500	**120,452**	116,571	**928,600**	925,876	**31,608**	—
Share of profit on profit guarantee agreement##	**—**	—	**—**	—	**—**	—	**143,139**	89,681	**—**	—
Goodwill	**—**	—	**48,560**	48,560	**—**	—	**—**	—	**—**	—
Carrying amount	**48,558**	46,039	**145,015**	145,060	**120,452**	116,571	**1,071,739**	1,015,557	**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 profit 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.

13 JOINT ARRANGEMENTS

(a) Joint ventures

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance	**1,948,223**	1,451,101
Capital injection to joint venture (Note)	**27,422**	8,161
Share of results		
— (Loss)/profit for the year	**(9,849)**	488,961
Ending balance	**1,965,796**	1,948,223

Notes:

In June 2017, the Group obtained 49% equity interests in Changsha Sand Boat Zhongshan Bathut Ole Business Management Co., Ltd ("Changsha Sand Boat"), an unlisted entity incorporated in the PRC, by injecting capital for RMB1,922,000.

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.

In 2016, Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd, a joint venture of the Group, incorporated a wholly own subsidiary named Nanjing Mingfa High District Property Co., Ltd which was engaged in property development in Nanjing. The Group injected capital of RMB8,161,000 to the joint venture according to the share percentage of 51%.

13 JOINT ARRANGEMENTS (continued)

(a) Joint ventures (continued)

Nature of investments in joint ventures in 2017 and 2016

Name of entity	Place of business	% of interest held	Measurement method
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 Yueshang Business Management Co., Ltd.* 長沙市悦尚商業管理有限公司	PRC	49%	Equity accounting

* Acquired during the year 2017

13 JOINT ARRANGEMENTS (continued)

(a) Joint ventures (continued)

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.

As at 31 December 2017 and 2016, the Group provided guarantee of the following amount in respect of bank borrowing to a joint venture:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Superb Land	**238,277**	220,704

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets								
Current assets	**2,648,449**	2,639,304	**6,727,722**	5,700,734	**14,033**	2,215	**421,156**	—
Non-current assets	**—**	—	**79,141**	82,690	**36,756**	47,382	**380**	—
	2,648,449	2,639,304	**6,806,863**	5,783,424	**50,789**	49,597	**421,536**	—
Liabilities								
Current liabilities	**(133,424)**	(98,407)	**(3,006,129)**	(1,963,379)	**(37)**	(2,423)	**(367,614)**	—
Non-current liabilities	**(2,515,025)**	(2,540,897)	**—**	—	**(50,752)**	(47,174)	**—**	—
	(2,648,449)	(2,639,304)	**(3,006,129)**	(1,963,379)	**(50,789)**	(49,597)	**(367,614)**	—
Net assets	**—**	—	**3,800,734**	3,820,045	**—**	—	**53,922**	—

13 JOINT ARRANGEMENTS (continued)

(a) Joint ventures (continued)

Summarised statements 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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Income	**—**	—	**4,984**	986,410	**—**	—	**—**	—
Expenses	**—**	—	**(24,295)**	(27,662)	**—**	—	**—**	—
(Loss)/profit after tax and other comprehensive income	**—**	—	**(19,311)**	958,748	**—**	—	**—**	—

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Opening net assets	**—**	—	**3,820,045**	2,845,296	**—**	—	**—**	—
(Loss)/profit for the year	**—**	—	**(19,311)**	958,748	**—**	—	**—**	—
Capital injection	**—**	—	**—**	16,001	**—**	—	**53,922**	—
Closing net assets	**—**	—	**3,800,734**	3,820,045	**—**	—	**53,922**	—
% of interest held	**20%**	20%	**51%**	51%	**33.33%**	33.33%	**49–51%**	—
Group's interest in joint ventures	**—**	—	**1,938,374**	1,948,223	**—**	—	**27,422**	—
Carrying amount	**—**	—	**1,938,374**	1,948,223	**—**	—	**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 with Powerlong Group Development Co., Ltd ("Baolong"). 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	
	2017	2016
	RMB'000	RMB'000
Assets		
Current	**458,880**	458,880
Non-current	**389,249**	373,118
	848,129	831,998
Liabilities		
Current	**424,884**	438,320
Non-current	**177,000**	177,000
	601,884	615,320
Net assets	**246,245**	216,678

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Income	**15,423**	33,255
Fair value gains/(losses) on investment properties	**16,131**	(16,911)
Expenses	**(1,987)**	(8,061)
Profit after income tax	**29,567**	8,283
Proportionate interest in joint operation's		
— operating lease rentals receivable	**6,556**	4,477
— financial guarantees	**28,744**	34,477

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 2017, completed properties held for sale of RMB2,178,175,000 (2016: RMB1,369,219,000) were pledged as collateral for the Group's borrowings (Note 23).

As at 31 December 2017, there was no impairment provision made on completed properties held for sale (2016: Nil).

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables	**447,377**	424,359
Less: Provision for impairment of trade receivables (Note (b))	**(50,686)**	(50,684)
Trade receivables — net (Note (a))	**396,691**	373,675
Deposits for resettlement costs	**2,879**	2,889
Deposits for land purchases	**308,763**	635,990
Deposit for acquisition of a company	**152,837**	—
Advances to group companies of non-controlling interests (Note (c))	**1,323,606**	1,238,976
Advances to other parties (Note (d))	**—**	562,705
Government grant receivables	**60,220**	213,946
Other receivables (Note (e))	**781,780**	446,114
Prepayments for commission fees	**162,312**	135,557
Prepayments for construction costs	**1,371,966**	1,067,686
Prepaid business tax and other levies on pre-sale proceeds	**464,828**	438,631
Miscellaneous	**251**	309
	5,026,133	5,116,478
Less: Non-current portion of other receivables (Note (f))	**(185,086)**	(15,086)
Current portion	**4,841,047**	5,101,392

As at 31 December 2017 and 2016, the fair values of trade receivables, deposits for resettlement costs, acquisition of a company and land purchases, advances to group companies of non-controlling interests and other parties, government grant receivables and other receivables approximate their carrying amounts.

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Notes:

(a) Trade receivables 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	
	2017	2016
	RMB'000	RMB'000
Within 90 days	**86,386**	54,376
Over 90 days and within 1 year	**105,087**	110,832
Over 1 year and within 2 years	**111,892**	143,640
Over 2 years	**93,326**	64,827
	396,691	373,675

The ageing analysis of trade receivables (net of impairment losses) of the Group, based on due dates, as of the end of the year is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Neither past due nor impaired	**—**	—
Within 90 days	**86,386**	54,376
Over 90 days and within 1 year	**105,087**	110,832
Over 1 year and within 2 years	**111,892**	143,640
Over 2 years	**93,326**	64,827
	396,691	373,675

As at 31 December 2017, trade receivables of RMB50,686,000 (2016: RMB50,684,000) are considered impaired. The ageing of these receivables are over 2 years.

(b) Movements in provision for impairment of trade receivables are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance	**50,684**	50,684
Provision for impairment	**2**	—
Ending balance	**50,686**	50,684

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Notes: (continued)

(c) 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.

(d) As at 31 December 2016, the amounts are unsecured, interest-bearing at 4.35% per annum and repayable on demand.

(e) 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.

(f) 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 approval by the government authority.

(ii) 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. As at end of the reporting period, 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%.

16 AMOUNTS DUE FROM RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Receivables from related parties		
Controlled by the controlling shareholders	**1,969**	1,671
Associated companies (Note 12)	**397,082**	137,941
Loan to related parties		
Joint ventures (Note 13)	**446,754**	277,516
	845,805	417,128
Less: Non-current portion comprising loan to Superb Land	**(274,455)**	(264,254)
Current portion	**571,350**	152,874

16 AMOUNTS DUE FROM RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES (continued)

As at 31 December 2017, except for an amount of RMB274,455,000 due from Superb Land (2016: 264,254,000), which carries interest at 2.2% per annum and will not 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 fair value of the non-current loan to Superb Land is based on cash flows discounted using a market rate which are within Level 2 of the fair value hierarchy.

The carrying amounts of amounts due from related parties, joint ventures and associated companies approximate their fair values.

17 AMOUNTS DUE FROM/TO NON-CONTROLLING INTEREST

Except for the following amount, the balance with non-controlling interests are non-trade in nature, unsecured, interest-free and repayable on demand:

— due from Xian Gongheng Zhiye Co. Ltd at RMB85,083,000 as at 31 December 2017 (2016: RMB79,763,000) which is money lending with interest bearing at 7.15% per annum, unsecured and mature in December 2018.

The carrying amounts of balance with non-controlling interests approximate their fair value.

18 CASH AND CASH EQUIVALENTS/RESTRICTED CASH

As at 31 December 2017, the Group's cash of approximate RMB366,363,000 (2016: RMB1,382,867,000) 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 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance	**26,150**	276,720
Addition	**4,000**	6,150
Disposal	**—**	(256,720)
Ending balance	**30,150**	26,150
Less: Non-current portion	**(30,150)**	(26,150)
Current portion	**—**	—

Note: Available-for-sale 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 2017 and 2016 from the investment cost.

20 NON-CONTROLLING INTERESTS

Material non-controlling interests

The total non-controlling interest as at 31 December 2017 amounted to RMB947,041,000 of which RMB498,176,000 relates to a PRC subsidiary Nanjing Mingmao Real Estate Co., Ltd ("Nanjing Mingmao") in which the non-controlling interests hold an equity interests of 49%. The other non-controlling interests are not material.

The total non-controlling interests as at 31 December 2016 amounted to RMB820,232,000 of which RMB390,025,000 relates to Nanjing Mingmao. The other non-controlling interests are not material.

Set out below is the summarised financial information for Nanjing Mingmao which has non-controlling interests that is material to the Group for the years ended 2017 and 2016. The financial information represents the amounts before intra-group transactions elimination.

Summarised statement of financial position

	Nanjing Mingmao As at 31 December	
	2017	2016
	RMB'000	RMB'000
Current		
Assets	**4,638,210**	5,359,749
Liabilities	**(3,650,261)**	(4,599,439)
Total current net assets	**987,949**	760,310
Non-current		
Assets	**28,736**	35,660
Total non-current net assets	**28,736**	35,660
Net assets	**1,016,685**	795,970

20 NON-CONTROLLING INTERESTS (continued)

Material non-controlling interests (continued)

Summarised statement of profit or loss and other comprehensive income

	Nanjing Mingmao Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**1,488,379**	—
Profit/(loss) before income tax	**319,915**	(16,113)
Income tax	**(99,200)**	480
Post-tax profit/(loss) and other comprehensive income	**220,715**	(15,633)

Summarised statement of cash flows

	Nanjing Mingmao Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cash flows from operating activities:		
Cash (used in)/generated from operations	**(131,620)**	1,624,442
Interest received	**—**	4,106
Interest paid	**—**	(162)
PRC income tax refund/(paid)	**11,250**	(180,727)
Net cash (used in)/generated from operating activities	**(120,370)**	1,447,659
Net cash generated from investing activities	**—**	4,106
Net cash used in financing activities	**(56,026)**	(1,911,461)
Net decrease in cash and cash equivalents	**(176,396)**	(459,696)
Cash and cash equivalents at beginning of the year	**281,848**	741,544
Cash and cash equivalents at end of the year	**105,452**	281,848

20 NON-CONTROLLING INTERESTS (continued)

Material non-controlling interests (continued)

Significant restrictions

Same as all the other PRC subsidiaries of the Group, the cash and cash equivalents amounted to RMB105,452,000 as at 31 December 2017 (2016: RMB281,848,000) 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.

21 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent RMB
Authorised:			
At 1 January 2016, 31 December 2016 and at 31 December 2017	12,000,000,000	1,200,000,000	—
Issued and fully paid:			
At 1 January 2016, 31 December 2016 and at 31 December 2017	6,093,451,026	609,345,103	536,280,877

22 DEFERRED GOVERNMENT GRANTS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance	**1,611,659**	1,450,553
Addition	**60,220**	213,947
Amortisation, credited to the consolidated statement of profit or loss	**(30,553)**	(52,841)
Ending balance	**1,641,326**	1,611,659

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Representing:		
Original amount	**2,029,658**	1,969,438
Accumulated amortisation	**(222,722)**	(192,169)
Transfer to investment properties	**(165,610)**	(165,610)
Net book amount	**1,641,326**	1,611,659

The analysis of government grants received by the Group is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
For the development of property projects	**2,029,658**	1,969,438

23 BORROWINGS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (Note (a))	**7,054,638**	8,255,270
Other borrowings — secured (Note (a))	**746,000**	100,000
Senior notes and bonds (Note (b))	**1,753,969**	1,124,834
	9,554,607	9,480,104
Less: Amounts due within one year	**(6,943,501)**	(6,039,917)
	2,611,106	3,440,187
Borrowings included in current liabilities		
Bank borrowings — secured (Note (a))	**1,746,012**	1,915,037
Other borrowings — guaranteed and secured (Note (a))	**886,026**	1,193,700
Current portion of long-term borrowings (Note (a))	**6,943,501**	6,039,917
Senior notes (Note (b))	**678,600**	—
	10,254,139	9,148,654

(a) Details on borrowings

As at 31 December 2017, the Group's certain borrowings of RMB8,559,211,000 (2016: RMB8,476,528,000) 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 2017, the Group's certain borrowings of RMB3,035,905,000 (2016: RMB3,041,425,000) were secured by its buildings (Note 6) and investment properties (Note 7) and certain borrowings of RMB366,363,000 (2016: RMB1,382,867,000) were secured by its restricted cash (Note 18).

As at 31 December 2017, the Group's certain borrowings of RMB196,026,000 (2016: RMB693,700,000) were guaranteed by the controlling shareholders, Galaxy Earnest Limited which is controlled by the controlling shareholders and Growing Group Limited which is wholly-owned by Mr. Wong Wun Ming, one of the controlling shareholders, together with a charge on certain shares of the Company held by Galaxy Earnest Limited.

As at 31 December 2017, the Group's certain borrowings of RMB100,000,000 (2016: Nil) were guaranteed by a controlling shareholder.

As at 31 December 2017, the Group's certain borrowings of RMB1,199,800,000 (2016: RMB1,200,000,000) 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	**6–12 months**	**1–5 years**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
As at 31 December 2017	**644,120**	**213,017**	**1,753,969**	**2,611,106**
As at 31 December 2016	2,049,986	265,367	1,124,834	3,440,187
Borrowings included in current liabilities:				
As at 31 December 2017	**6,017,180**	**4,236,959**	**—**	**10,254,139**
As at 31 December 2016	5,367,303	3,781,351	—	9,148,654

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Borrowings:		
Between 1 and 2 years	**587,810**	2,219,942
Between 2 and 5 years	**1,785,676**	495,645
Over 5 years	**237,620**	724,600
	2,611,106	3,440,187

23 BORROWINGS (continued)

(a) Details on borrowings (continued)

The effective interest rates of the borrowings at 31 December 2017 and 2016 were as follows:

	As at 31 December	
	2017	2016
Bank borrowings	**6.24%**	5.89%
Other borrowings	**6.65%**	10.66%
Senior notes and bonds	**11.36%**	11.69%

The carrying amounts and fair values of non-current borrowings are as follows:

	Carrying amounts	**Fair values**
	RMB'000	RMB'000
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**
As at 31 December 2016		
Bank borrowings (Note (i))	2,315,353	2,346,256
Senior notes and bonds (Note (i))	1,124,834	1,233,624
	3,440,187	3,579,880

Notes:

(i) The fair values of non-current borrowings are based on cash flows discounted using rates based on weighted average borrowing rate of 8.94% as at 31 December 2017 (2016: 7.32%).

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.

23 BORROWINGS (continued)

(b) Senior notes issued on 1 February 2013 ("2018 Notes") (continued)

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 2017 and 2016, and is therefore not recognised.

(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 bearing interest at 9% per annum and is payable quarterly.

The 2019 Bonds A 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 2016 and 2017, 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.

24 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	
	2017	2016
	RMB'000	RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	**40,753**	7,283
— to be recovered within 12 months	**488,292**	297,540
	529,045	304,823
Deferred income tax liabilities		
— to be settled after more than 12 months	**(1,916,267)**	(1,756,806)
— to be settled within 12 months	**(57,976)**	(59,383)
	(1,974,243)	(1,816,189)
	(1,445,198)	(1,511,366)

24 DEFERRED INCOME TAX (continued)

The net movement on the deferred income tax assets and deferred tax liabilities is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance	**1,511,366**	1,310,895
(Credited)/charged to the consolidated statement of profit or loss (Note 32)	**(66,168)**	200,471
Ending balance	**1,445,198**	1,511,366

Movement in deferred income tax assets and liabilities for the years ended 31 December 2017 and 2016, 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	**Temporary differences on recognition of land appreciation tax**	**Temporary differences on recognition of tax losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
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**
As at 1 January 2016	278,303	325,947	20,794	625,044
Credited/(charged) to the consolidated statement of profit or loss	67,023	(320,150)	64,291	(188,836)
As at 31 December 2016	345,326	5,797	85,085	436,208

24 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities

	Temporary differences on recognition of fair value gains of investment properties	Temporary differences on revaluation surplus	Temporary differences on recognition of sales and related cost of sales	Withholding taxation on the unremitted earnings of certain subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	**(1,203,040)**	**(102,017)**	**(192,448)**	**(450,069)**	**(1,947,574)**
(Charged)/credited to the consolidated statement of profit or loss	**(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)**
As at 1 January 2016	(1,129,251)	(102,017)	(324,380)	(380,291)	(1,935,939)
(Charged)/credited to the consolidated statement of profit or loss	(73,789)	—	131,932	(69,778)	(11,635)
As at 31 December 2016	(1,203,040)	(102,017)	(192,448)	(450,069)	(1,947,574)

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 RMB137,478,000 (2016: RMB91,699,000) as at 31 December 2017 in respect of accumulated losses amounting to RMB549,911,000 (2016: RMB379,768,000) as at 31 December 2017. Accumulated losses as at 31 December 2017 amounting to RMB549,911,000 will expire during years 2018 to 2022.

25 TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade payables (Note (a))	**7,814,630**	7,350,749
Other payables (Note (b))	**4,894,032**	3,321,934
Other taxes payable	**157,898**	143,256
	12,866,560	10,815,939
Less: Non-current portion of other payables (Note (b)(i))	**(400,000)**	(50,000)
Current portion	**12,466,560**	10,765,939

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	
	2017	2016
	RMB'000	RMB'000
Within 90 days	**4,552,683**	3,563,316
Over 90 days and within 1 year	**1,041,891**	1,441,566
Over 1 year	**2,220,056**	2,345,867
	7,814,630	7,350,749

25 TRADE AND OTHER PAYABLES (continued)

Notes: (continued)

(b) Other payables comprise:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Deposits and advances from contractors	**455,613**	545,732
Deposits received from tenants of investment properties	**65,374**	52,574
Deposits received from customers for purchase of properties	**1,497,535**	1,173,168
Advances from shareholders of associated companies and joint ventures (Note (i))	**1,351,674**	214,969
Advances from group companies of non-controlling interests (Note (ii))	**196,026**	—
Advances from other parties (Note (iii))	**110,313**	582,668
Consideration payable on acquisition of lands	**202,746**	—
Consideration payable on acquisition of subsidiaries	**267,504**	161,133
Consideration received for disposal of a subsidiary	**91,200**	91,200
Commission payables	**6,830**	31,129
Payable to a joint operation partner	**39,140**	42,598
Accruals and other payables (Note (iv))	**445,406**	143,107
Provision for loss arising from financial guarantee agreements (Note 28(c))	**89,136**	89,136
Miscellaneous	**75,535**	194,520
	4,894,032	3,321,934

Notes:

(i) As at 31 December 2017, except for advances from shareholders of associated companies and joint ventures amounted to RMB506,792,000 (2016: RMB167,052,000) for current portion which is unsecured, interest-bearing with interest rate ranging from 5.2% to 12% (2016: 10%) per annum and repayable from 6 months to 2 years (2016: 1.5 years) after drawdown date, the remaining balances are unsecured, interest-free and repayable on demand.

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% (2016: 10%) 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 2017, advances from other parties amounted to RMB110,313,000 (2016: RMB104,073,000) are secured, interest-bearing at 12% (2016: 12%) per annum and repayable on demand. The remaining balance as at 31 December 2016 is unsecured, interest-bearing at 4.35% 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.

26 AMOUNTS DUE TO RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES

	Maximum outstanding balance during the year	As at 31 December	
		2017	2016
	RMB'000	**RMB'000**	RMB'000
Controlling shareholder			
Mr. Wong Wun Ming	697,043	**697,043**	59,015
Companies controlled by controlling shareholders		**1,943**	9,543
Joint venture (Note 13)		**3,936,141**	3,395,218
Associated companies (Note 12)		**692,165**	688,238
		5,327,292	4,152,014

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.

27 PROVISION FOR OTHER LIABILITIES AND CHARGES

	Year ended at 31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance	**65,089**	65,797
Additional provision (Note 29)	**2,448**	27,131
Utilised during the year	**(2,473)**	(27,839)
Ending balance	**65,064**	65,089
Representing:		
Provided amounts	**176,746**	174,298
Utilised amounts	**(111,682)**	(109,209)
Net book amount	**65,064**	65,089

The analysis of provision for other liabilities and charges is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Provision for delay in delivering properties	**65,064**	65,089

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 2017.

28 OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Government grants (Note (a))	**2,452**	4,318
Net gain/(loss) from disposal of property, plant and equipment	**420**	(716)
Net exchange gains/(losses) (Note (b))	**211,048**	(265,215)
Net loss arising from disposal of investment properties	**(1,657)**	—
Provision for loss on financial guarantee in respect of guarantee agreements (Note (c))	**—**	(89,136)
Miscellaneous	**(19,558)**	(1,512)
	192,705	(352,261)

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.

(c) In 2016, a provision for losses 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.

29 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Staff costs — including directors' emoluments (Note (a))	**361,257**	306,256
Auditor's remuneration	**4,800**	4,800
Charitable donation	**14,311**	3,081
Bad debt written off	**—**	85,091
Depreciation	**86,671**	82,375
Amortisation of land use rights	**11,604**	6,515
Cost of properties sold	**6,962,282**	3,556,055
Business tax and other levies on sales and construction of properties (Note (b))	**444,875**	160,164
Direct outgoings arising from investment properties that generate rental income	**124,860**	85,619
Operating lease expenses on land and buildings	**43,076**	37,481
Provision for impairment of receivables	**2**	1
Hotel operating expenses	**116,861**	108,266
Provision for delay in delivering properties (Note 27)	**2,448**	27,131

Notes:

(a) Staff costs (including directors' emoluments)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Wages and salaries	**311,557**	261,524
Pension costs — defined contribution plans	**30,755**	26,564
Other allowances and benefits	**18,945**	18,168
	361,257	306,256

(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.

30 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Finance income		
— interest income on bank deposits and loan to a related party (Note 40(b))	**100,529**	125,083
Interest expenses on bank borrowings	**(706,786)**	(803,671)
Interest expenses on other borrowings and advances from other parties	**(61,821)**	(132,344)
Interest expenses on senior notes and bonds (Note 23)	**(222,962)**	(94,583)
Less: Interest capitalised	**991,569**	1,030,598
Finance costs	**—**	—
Net finance income	**100,529**	125,083

31 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 2017 is set out below:

Name	**Fees**	**Salaries**	**Employer's contribution to a retirement benefit scheme**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Executive directors				
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**
Independent non-executive directors				
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 (Note (iv))	**87**	—	—	**87**
	711	**3,141**	**45**	**3,897**

31 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of each executive director of the Company for the year ended 31 December 2016 is set out below:

Name	Fees RMB'000	Salaries RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive directors				
Mr. Wong Wun Ming (Note (i))	—	120	15	135
Mr. Huang Qingzhu	—	120	15	135
Mr. Huang Lianchun	—	46	—	46
Mr. Huang Li Shui	—	2,829	15	2,844
Independent non-executive directors				
Mr. Lau Kin Hon	206	—	—	206
Mr. Dai Yiyi (Note (ii))	206	—	—	206
Mr. Qu Wenzhou (Note (iii))	206	—	—	206
Mr. Chu Kin Wang Peleus (Note (iv))	86	—	—	86
	704	3,115	45	3,864

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 on 1 November 2016.

(b) Five highest paid individuals

During the year ended 31 December 2017, one (2016: 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 2017 (2016: four) are set out below:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Basic salaries and allowance	**4,416**	4,397
Retirement scheme contributions	**115**	109
	4,531	4,506

31 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 2017 and 2016 presented fall within the range of following bands:

	Number of individuals	
	2017	2016
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 2017, 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 (2016: Nil).

During the year ended 31 December 2017, 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 (2016: Nil).

During the year ended 31 December 2017, no consideration was provided to or receivable by third parties for making available director's services (2016: 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 (2016: 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 (2016: Nil).

32 INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax	**468,871**	155,548
— PRC land appreciation tax		
— current year	**310,662**	258,922
— over provision in respect of prior years (Note (a))	**—**	(964,451)
	779,533	(549,981)
Deferred income tax		
— PRC enterprise income tax	**(146,869)**	130,693
— PRC withholding income tax	**80,701**	69,778
	(66,168)	200,471
	713,365	(349,510)

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	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	**1,898,816**	824,647
PRC land appreciation tax	**(310,662)**	705,529
	1,588,154	1,530,176
Calculated at PRC enterprise income tax rate of 25%	**397,038**	382,544
Effect of expenses not deductible for income tax purposes (Note (b))	**89,925**	68,735
Income not subject to tax (Note (c))	**(194,782)**	(207,408)
Tax losses not recognised as deferred tax assets	**29,821**	42,370
PRC enterprise income tax	**322,002**	286,241
PRC land appreciation tax	**310,662**	(705,529)
PRC withholding income tax	**80,701**	69,778
Total tax expense/(charge)	**713,365**	(349,510)

32 INCOME TAX EXPENSE (continued)

Notes:

(a) In 2016, a portion of provision for PRC land appreciation tax brought forward from prior years of certain subsidiaries was reversed during the year after the relevant tax authorities have confirmed the final amounts of the PRC land appreciation tax charged to the subsidiaries.

(b) 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.

(c) 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 has not been provided for as the Group has no estimated assessable profit in Hong Kong for the year ended 31 December 2017 (2016: Nil).

PRC enterprise income tax

PRC enterprise income tax is provided for at 25% (2016: 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.

33 DIVIDENDS

No interim dividend was declared and the Board does not recommend payment of final dividend for the year ended 31 December 2017 (2016: Nil).

34 EARNINGS PER SHARE

Basic and diluted

Basic earnings per share for the years ended 31 December 2017 and 2016 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 2017 and 2016, and the Company's shares were suspended for trading on the Stock Exchange, diluted earning per share is the same as basic earnings per share.

	Year ended 31 December	
	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	**1,024,220**	1,169,435
Weighted average number of ordinary shares in issue (thousands)	**6,093,451**	6,093,451
Basic and diluted earnings per share (RMB cents)	**16.8**	19.2

35 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Particulars of the significant subsidiaries, associated companies and joint ventures of the Group as at 31 December 2017 and 2016 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 2017	2016	Principal activities
Subsidiaries — established in the PRC							
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%**	100%	Property management

35 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 2017	2016	Principal activities
Subsidiaries — established in the PRC (continued)							
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
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

35 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 2017	2016	Principal activities
Subsidiaries — established in the PRC (continued)							
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
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

35 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 2017	2016	Principal activities
Subsidiaries — established in the PRC (continued)							
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
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
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

35 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 2017	2016	Principal activities
Subsidiaries — established in the PRC (continued)							
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
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
Ping Liang Shi Ding Sheng Real Estate Co., Ltd 平凉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

35 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 2017	2016	Principal activities
Subsidiaries — established in the PRC (continued)							
Zhangzhou Mingfa Wyndham Hotel Co., Ltd 漳州明發温德姆酒店有限公司	7 August 2014	Domestic enterprise	RMB30,000,000	RMB30,000,000	**100%**	100%	Hotel operation
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%**	—	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	Sino-foreign joint venture	RMB10,000,000	—	**70%**	—	Property development
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 (b))	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
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 Tian Lang Technology Development Co., Ltd. 南京天朗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 Nanjing Qianqiuye Concrete Product Co. Ltd. 明發集團南京千秋業水泥制品有限公司	17 July 2003	Domestic enterprise	RMB20,000,000	RMB20,000,000	**100%**	100%	Trading of construction materials
Nanjing Mingfa Long Wei Construction Technology Co., Ltd. 南京明發龍威建築科技有限公司 (Note (a))	3 July 2003	Domestic enterprise	RMB100,000,000	RMB100,000,000	**—**	55%	Property development

35 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 2017	2016	Principal activities
Subsidiaries — established in the PRC (continued)							
Xiamen Hongyuan Gaotai Trade Co., Ltd. 厦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%	Property development
Nanjing Minghong New Real Estate Development Co., Ltd. 南京明弘新房地產開發有限公司 (Note (b))	20 October 2016	Domestic enterprise	RMB20,000,000	RMB20,000,000	**40%**	40%	Property development
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	2 December 2016	Domestic enterprise	RMB100,000,000	—	**100%**	100%	Property development
Chendu Mingfa Commercial Town Construction Co., Ltd. 成都明發商務城建設有限公司	28 January 2010	Domestic enterprise	RMB33,000,000	RMB33,000,000	**100%**	100%	Property development
Xiamen Hongsheng Tianwei Real Estate Co., Ltd 厦門弘盛天威置業有限公司	27 October 2017	Domestic enterprise	RMB50,000,000	—	**100%**	—	Trading of construction materials

35 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 2017	2016	Principal activities
Subsidiaries — established in the PRC (continued)							
Laian 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%**	—	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%**	—	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%**	—	Property development
Ma An Shan Tian Mu Spa Travel Investments Co., Ltd (Note (d)) 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%**	—	Property development
Ma An Shan Tian Mu Property Co., Ltd (Note (c)) 馬鞍山天沐置業有限公司	7 May 2010	Domestic enterprise	RMB50,000,000	RMB50,000,000	**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%**	—	Property development
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%**	—	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%**	—	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%**	—	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%**	—	Property development

35 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 2017	2016	Principal activities
Subsidiaries — established in the PRC (continued)							
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%**	—	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%**	—	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%**	—	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%**	—	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%**	—	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%**	—	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%**	—	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%**	—	Property development
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%**	—	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%**	—	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%**	—	Property development

35 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 2017	2016	Principal activities
Subsidiaries — established in the PRC (continued)							
Ma On Shan Ming Lin Industrial Co., Ltd 馬鞍山明林實業有限公司	22 December 2017	Domestic enterprise	RMB20,000,000	—	**100%**	—	Property development
Ma On Shan Ming Kun Industrial Co., Ltd 馬鞍山明坤實業有限公司	21 December 2017	Domestic enterprise	RMB20,000,000	—	**100%**	—	Property development
Ma On Shan Ming Zhao Industrial Co., Ltd 馬鞍山明昭實業有限公司	21 December 2017	Domestic enterprise	RMB20,000,000	—	**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%**	—	Property development
Ma On Shan Mingzheng Industrial Co., Ltd 馬鞍山明章實業有限公司	22 December 2017	Domestic enterprise	RMB20,000,000	—	**100%**	—	Property development
Ma On Shan Ming Nan Industrial Co., Ltd 馬鞍山明楠實業有限公司	21 December 2017	Domestic enterprise	RMB20,000,000	—	**100%**	—	Property development
Ma On Shan Ming Shu Industrial Co., Ltd 馬鞍山明樹實業有限公司	21 December 2017	Domestic enterprise	RMB20,000,000	—	**100%**	—	Property development
Subsidiaries — incorporated in Taiwan							
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
Subsidiaries — incorporated in Hong Kong							
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

35 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 2017	2016	Principal activities
Subsidiaries — incorporated in Hong Kong (continued)							
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

35 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 2017	2016	Principal activities
Subsidiaries — incorporated in Hong Kong (continued)							
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

35 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 2017	2016	Principal activities
Subsidiaries — incorporated in the British Virgin Islands							
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

* Directly held by the Company

35 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 2017	2016	Principal activities
Subsidiaries — incorporated in the British Virgin Islands (continued)							
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
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	**80%**	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%**	—	Investment holding

* Directly held by the Company

35 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 2017	2016	Principal activities
Associated companies — established in the PRC							
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 Qichuang Communication Technology Co Ltd 南京軟件谷奇創通訊科技有限公司	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
Jiangsu Zhuye Construction Technology Development Co., Ltd 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%**	—	Property development
Nanjing Ruijing Real Estate Development Co., Ltd 南京鋭昱房地產開發有限公司	9 October 2017	Domestic enterprise	RMB20,000,000	RMB20,000,000	**25%**	—	Property development

35 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 2017	2016	Principal activities
Associated company — incorporated in the British Virgin Islands							
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
Joint ventures — established in the PRC							
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%**	—	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%**	—	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%**	—	Property development
Changsha Yueshang Business Management Co., Ltd 長沙市悅尚商業管理有限公司	5 June 2017	Domestic enterprise	RMB39,215,678	RMB3,921,568	**49%**	—	Property management
Joint ventures — incorporated in the British Virgin Islands							
Superb Land Limited	09 June 2014	Limited liability company	US$50,000	US$10	**20%**	20%	Investment holding
Versilcraft Holdings Limited	25 September 2015	Limited liability company	US$300	US$300	**33.3%**	33.3%	Investment holding

* Directly held by the Company

35 SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Notes:

(a) 55% equity interest was disposed by the Group on 11 December 2017. (Note 39)

(b) The adoption of HKFRS 10 has resulted in the consolidation of Mingfa Group Nanjing Ruiyi 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.

(c) 100% equity interest was acquired by the Group on 6 April 2017. (Note 38)

(d) 100% equity interest was acquired by the Group on 2 August 2017. (Note 38)

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.

36 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2017 and 2016.

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties (Note)	**5,530,125**	5,093,119

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.

37 COMMITMENTS

(a) Commitments for capital and property development expenditure

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Contracted but not provided for		
— Properties being developed by the Group for sale	**4,529,715**	5,951,515
— Land use rights	**2,867,763**	2,977,963
	7,397,478	8,929,478

(b) Commitments for equity investments

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Contracted but not provided for		
— Acquisition of a subsidiary (Note)	**130,000**	—

Note:

On 28 July 2017, the Group has signed an agreement to acquire 50% equity interest in a PRC entity, Nanjing Zhaofu International Golf Club Co., Ltd ("Zhaofu") and the acquisition has been completed on 7 August 2018.

(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	
	2017	2016
	RMB'000	RMB'000
Within one year	**21,311**	21,120
In the second to fifth year, inclusive	**90,147**	87,546
Over five years	**186,037**	217,970
	297,495	326,636

(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	
	2017	2016
	RMB'000	RMB'000
Within one year	**123,504**	105,826
In the second to fifth year, inclusive	**653,775**	606,893
Over five years	**998,326**	1,044,539
	1,775,605	1,757,258

38 ACQUISITION OF SUBSIDIARIES

On 6 April 2017, the Group completed an acquisition of 100% equity interest in a PRC entity Ma An Shan TianMu Property Co.,Ltd. ("TianMu Property") and liabilities at a cash consideration of approximately RMB112,500,000.

On 2 August 2017, the Group completed an acquisition of 100% equity interest in a PRC entity Ma An Shan TianMu Spa Travel Investments Co.,Ltd. ("TianMu Spa") and liabilities at a cash consideration of approximately RMB67,500,000.

The directors consider these acquisitions are an asset acquisition in substance rather than a business combination, and therefore consolidated the related assets and liabilities at their 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:

	TianMu Property Purchased value RMB'000	TianMu Spa Purchased value RMB'000	Total Purchased value RMB'000
Property, plant and equipment (Note 6)	12,885	—	12,885
Land use rights (Note 9)	127,721	70,191	197,912
Cash and cash equivalents	276	7	283
Other receivables and prepayments	26,000	16,948	42,948
Trade and other payables	(54,382)	(19,646)	(74,028)
Total net assets	112,500	67,500	180,000
Net assets acquired	112,500	67,500	180,000
Total consideration	112,500	67,500	180,000
Less: Unpaid cash consideration	(45,000)	(27,000)	(72,000)
Less: Settlement of liabilities	(10,965)	(5,235)	(16,200)
Purchase consideration settled in cash	56,535	35,265	91,800
Less: Cash and cash equivalents in the subsidiary acquired	(276)	(7)	(283)
Net outflow of cash on acquisition	56,259	35,258	91,517

39 DISPOSAL OF INTEREST IN A SUBSIDIARY

On 11 December 2017, the Group disposed its entire 55% equity interest in a PRC subsidiary, Nanjing Mingfa Long Wei Construction Technology Co., Ltd. ("Long Wei"), to a third party at a cash consideration of RMB55,000,000. The disposal was completed by the end of 2017.

	RMB'000
Consideration received	55,000
Net assets disposed of	(67,489)
Loss on disposal	(12,489)

The assets and liabilities disposed and the net inflow of cash from the disposal are as below:

	RMB'000
Property, plant and equipment (Note 6)	101,467
Land use rights (Note 9)	22,628
Cash and cash equivalents	1,587
Trade and other receivables and prepayments	1,678
Property under development	66
Trade and other payables	(14,409)
Total net assets	113,017
Less: Carrying value of the non-controlling interests	(45,528)
Net assets disposed of	67,489
Cash received	55,000
Less: Cash and cash equivalents in the subsidiary disposed of	(1,587)
Net inflow of cash from the disposal	53,413

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.

40 RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship with related parties (continued)

(ii) Controlled by the Controlling Shareholders

Xiamen Ming Fa 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	
	2017	2016
	RMB'000	RMB'000
Interest income from loan to Superb Land, a joint venture (Note 16)	**6,644**	6,552
Sale of car parks (recorded as completed properties held for sale) to Mr. Huang Li Shui, a controlling shareholder	**476**	—
Acquisition of 15% equity interest of Nanjing Qianqiuye from Bloom Luck Holdings Limited, a company controlled by a controlling shareholder	**—**	30,000
Sales of properties (recorded as completed properties held for sale) to close family member of controlling shareholders	**633**	1,331

(c) Key management compensation

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**6,926**	7,713
Retirement scheme contributions	**137**	134
	7,063	7,847

41 HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**177**	285
Investments in subsidiaries	**214**	214
	391	499
Current assets		
Other receivables	**12,539**	13,418
Amounts due from subsidiaries	**7,169,599**	7,144,156
Amounts due from related parties	**—**	390,247
Cash and cash equivalents	**199,311**	4,633
	7,381,449	7,552,454
Total assets	**7,381,840**	7,552,953
LIABILITIES		
Current liabilities		
Other payables	**312,144**	98,375
Amounts due to subsidiaries	**4,081,020**	3,933,211
Amounts due to related parties	**655,258**	—
Borrowings	**1,105,870**	2,388,087
	6,154,292	6,419,673
Net current assets	**1,227,157**	1,132,781
Total assets less current liabilities	**1,227,548**	1,133,280
Non-current liabilities		
Borrowings	**1,753,969**	1,520,008
Total liabilities	**7,908,261**	7,939,681
Net liabilities	**(526,421)**	(386,728)
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**536,281**	536,281
Reserves (Note)	**(1,062,702)**	(923,009)
Total deficit	**(526,421)**	(386,728)

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 2016	631,266	(977,260)	(345,994)
Loss for the year	—	(577,015)	(577,015)
Balance at 31 December 2016	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)**

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 25) RMB'000	Advances from shareholders of associated companies and joint ventures (Note 25) RMB'000	Advances from group companies of non-controlling interests (Note 25) 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	—	—	—	—
Change in restricted cash relating to financing activities	—	—	—	(1,008,948)	—	—	—
Net cash advance received from other parties	—	—	—	—	472,355	—	—
Net cash advances received from shareholders of associated companies and joint ventures	—	—	—	—	—	(1,136,705)	—
Net cash advances received from group companies of non-controlling interests	—	—	—	—	—	—	(196,026)
Total changes from financing cash flows:	(1,054,941)	(1,175,278)	31,517	(1,008,948)	472,355	(1,136,705)	(196,026)
Exchange adjustments	(213,032)	—	—	—	—	—	—
Other changes:							
Interest expenses	991,569	—	—	—	—	—	—
Change in restricted cash relating to operating activities	—	—	—	(7,556)	—	—	—
Total other changes	991,569	—	—	(7,556)	—	—	—
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) 2018 Notes

On 1 February 2018, the 2018 Notes (Note 24) were redeemed.

(ii) 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.

(iii) 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) Acquisition of a subsidiary

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

(c) 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 (equivalent to HKD3,262,000,000). 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				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Revenue	**10,071,416**	5,089,696	3,039,665	3,792,610	6,269,093
Profit before income tax	**1,898,816**	824,647	742,883	1,736,932	2,302,942
Income tax (expense)/credit	**(713,365)**	349,510	(383,317)	(680,772)	(926,628)
Profit for the year	**1,185,451**	1,174,157	359,566	1,056,160	1,376,314
Attributable to:					
Equity holders of the Company	**1,024,220**	1,169,435	379,042	829,310	1,399,229
Non-controlling interests	**161,231**	4,722	(19,476)	226,850	(22,915)
	1,185,451	1,174,157	359,566	1,056,160	1,376,314

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Total assets	**67,192,831**	60,904,508	51,886,873	40,570,688	35,371,471
Total liabilities	**(52,776,561)**	(47,641,759)	(39,309,297)	(28,861,496)	(24,128,713)
Non-controlling interests	**(947,041)**	(820,232)	(1,103,242)	(625,822)	(988,671)
	13,469,229	12,442,517	11,474,334	11,083,370	10,254,087

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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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2018

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

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
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
		18,064,875	17,306,195
Current assets			
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
		57,308,410	49,886,636
Total assets		**75,373,285**	67,192,831

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Current liabilities			
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
		54,336,412	46,149,886
Net current assets		**2,971,998**	3,736,750
Total assets less current liabilities		**21,036,873**	21,042,945
Non-current liabilities			
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
		5,749,060	6,626,675
Total liabilities		**60,085,472**	52,776,561
Net assets		**15,287,813**	14,416,270

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**536,281**	536,281
Reserves		**13,422,882**	12,932,948
		13,959,163	13,469,229
Non-controlling interests	20	**1,328,650**	947,041
Total equity		**15,287,813**	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 RMB'000 (Note 21)	Merger reserve RMB'000 (Note (a))	Share premium RMB'000 (Note (b))	Revaluation surplus RMB'000 (Note (c))	Contributions from equity holders RMB'000 (Note (d))	Statutory reserves RMB'000 (Note (e))	Other reserves RMB'000 (Note (f))	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017	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
Comprehensive income												
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
Transactions with owners												
Capital injection to subsidiaries by non-controlling interests	—	—	—	—	—	—	—	—	—	—	11,106	11,106
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(45,528)	(45,528)
Balance at 31 December 2017 as originally presented	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)
Restated balance as at 1 January 2018	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
Comprehensive income												
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**
Transactions with owners												
Capital injection to subsidiaries by non-controlling interests	—	—	—	—	—	—	—	—	—	—	**3,073**	**3,073**
	—	—	—	—	—	—	—	—	—	—	**3,073**	**3,073**
Balance at 31 December 2018	**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**

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

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Operating activities			
Profit before income tax for the year		**2,575,394**	1,898,816
Adjustments for:			
Interest income		**(72,788)**	(100,529)
Depreciation		**115,421**	86,671
Share of results of associated companies		**(16,701)**	(34,768)
Share of results of joint ventures		**509**	9,849
Amortisation of land use rights		**56,200**	11,604
Fair value gains on investment properties		**(749,298)**	(311,966)
Additional provision for impairment of receivables		**154,647**	2
Net loss/(gain) from disposal of property, plant and equipment		**185**	(420)
Net exchange (gain)/loss on cash and borrowings		**(207,365)**	211,048
Additional provision for delay in delivering properties		**13,338**	2,448
Loss on disposal of a subsidiary		**—**	12,489
Operating profit before working capital changes		**1,869,542**	1,785,244
Properties under development		**(1,631,576)**	(1,804,183)
Completed properties held for sale		**(926,363)**	(54,586)
Land use rights		**(923,600)**	(3,917,125)
Change in restricted cash relating to operating activities		**(20,821)**	7,556
Contract costs		**(66,163)**	—
Inventories		**3,021**	3,004
Trade and other receivables and prepayments		**(1,171,250)**	(346,460)
Trade and other payables		**2,166,472**	1,072,093
Contract liabilities		**5,218,857**	—
Advance proceeds received from customers		**—**	917,829
Provision for delay in delivering properties		**(13,575)**	(2,473)
Net cash generated from/(used in) operations		**4,504,544**	(2,339,101)
Interest received		**72,788**	100,529
Interest paid		**(1,011,172)**	(991,569)
Income tax paid		**(786,348)**	(135,603)
Net cash generated from/(used in) operating activities		**2,779,812**	(3,365,744)

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Investing activities			
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)
Net cash used in investing activities		**(807,542)**	(151,867)
Financing activities			
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
Net cash generated from financing activities		**422,675**	4,079,132
Effect of foreign exchange rate changes on cash		**19,209**	(2,433)
Net increase in cash and cash equivalents		**2,414,154**	559,088
Cash and cash equivalents at beginning of the year		**2,849,226**	2,290,138
Cash and cash equivalents at end of the year	18	**5,263,380**	2,849,226

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
Retained earnings	
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)
Restated retained earnings as at 1 January 2018	11,409,248
Non-controlling interests	
Non-controlling interests as at 31 December 2017	947,041
Increase in ECLs in other receivables	(55,519)
Restated non-controlling interests as at 1 January 2018	891,522

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)

(I) 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 1 January 2018 under HKAS 39** RMB'000	**Carrying amount as at 1 January 2018 under HKFRS 9** RMB'000
Other financial assets	Available-for-sale (at fair value) (Note 2(a)(i)A(i)(I))	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)(II))	Amortised cost	845,805	845,805
Amounts due from non-controlling interests	Loans and receivables (Note 2(a)(i)A(ii)(II))	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)(I)) and (II)	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 recognised 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 mean 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
Current assets	
Trade and other receivables and prepayments	(162,312)
Contract costs	162,312
	—
Current liabilities	
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
Current assets				
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
Current liabilities				
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 or 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[1]
HKFRS 16	Leases[1]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKAS 19	Employee Benefits[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for 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.
4 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 contact 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 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	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	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
As at 31 December 2018		
USD	**5%**	**(172,374)**
HKD	**5%**	**(5,883)**
As at 31 December 2017		
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	2017
	RMB'000	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	2017
	RMB'000	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.

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
As at 31 December 2018					
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**
	37,388,912	**1,741,564**	**385,692**	**120,863**	**39,637,031**
As at 31 December 2017					
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
	35,036,578	2,638,917	481,195	249,929	38,406,619

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	2017
	RMB'000	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	2017
	RMB'000	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	**—**	—

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

Financial assets	As at 31 December 2018 RMB'000	2017 RMB'000
Financial assets at amortised cost		
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**	—
Loans and receivables		
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
	9,716,770	7,345,281
Available-for-sale financial assets	**—**	30,150
Financial assets at FVTOCI	**40,550**	—
Total	**9,757,320**	7,375,431

Financial liabilities	As at 31 December 2018 RMB'000	2017 RMB'000
Financial liabilities at amortised cost		
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
Total	**33,294,679**	31,598,650

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.

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
Other segment information							
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

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
	4,662,343	93,641,751	2,357,106	15,142,474	15,501,144	(56,972,763)	74,332,055
Unallocated:							
Deferred income tax assets							606,273
Prepaid income taxes							394,407
Other financial assets							40,550
Total assets							75,373,285
Segment liabilities	3,343,014	74,510,968	450,668	8,282,843	15,526,099	(56,972,763)	45,140,829
Unallocated:							
Deferred income tax liabilities							2,209,896
Borrowings							10,839,498
Income tax payable							1,895,249
Total liabilities							60,085,472

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)
Revenues	548,616	9,030,119	226,195	257,089	9,397	—	10,071,416
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
Other segment information							
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

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	2017
	RMB'000	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
	11,418,368	9,871,529
Revenue from other sources		
• Property investment and management — rental income	**223,512**	199,887
	11,641,880	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.

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

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
Cost							
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**
Accumulated depreciation							
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)**
Net book value							
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
Cost							
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
Accumulated depreciation							
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)
Net book value							
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).

7 INVESTMENT PROPERTIES

	Year ended 31 December	
	2018	2017
	RMB'000	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 Cushmen & 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	2017
	RMB'000	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**
Total	**—**	**—**	**10,693,027**

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
Total	—	—	8,567,027

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.

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.

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	2017
	RMB'000	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).

10 GOODWILL

Goodwill arising from acquisitions:

	Year ended 31 December	
	2018	2017
	RMB'000	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	2017
	RMB'000	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	2017
	RMB'000	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
	16,883,863	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	2017
	RMB'000	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. 南京鋭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.

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	2017
	RMB'000	RMB'000
Mingfa Tongxin	**400,000**	400,000
Software Valley Mingfa	**800,000**	800,000
Total	**1,200,000**	1,200,000

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 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	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
Assets												
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
Liabilities												
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)
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

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.

13 JOINT ARRANGEMENTS

(a) Joint ventures

	Year ended 31 December	
	2018	2017
	RMB'000	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

Name of entity	Place of business	% of interest held	Measurement method
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 (長沙市悦尚商業管理有限公司).

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	2017
	RMB'000	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	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets								
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
Liabilities								
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 Year ended 31 December		Mingfa Technological Year ended 31 December		Versilcraft Year ended 31 December		Others 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 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
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	2017
	RMB'000	RMB'000
Assets		
Current	**458,496**	458,880
Non-current	**395,827**	389,249
	854,323	848,129
Liabilities		
Current	**409,750**	424,884
Non-current	**177,000**	177,000
	586,750	601,884
Net assets	**267,573**	246,245

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Income	**17,544**	15,423
Fair value gains on investment properties	**6,578**	16,131
Expenses	**(2,794)**	(1,987)
Profit after income tax	**21,328**	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	2017
	RMB'000	*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.

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	2017
	RMB'000	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
	164,628	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	2017
	RMB'000	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
	252,924	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	2017
	RMB'000	RMB'000
Receivables from related parties		
Controlled by the controlling shareholders	**2,807**	1,969
Associated companies (Note 12)	**354,496**	397,082
Loan to related parties		
Joint ventures (Note 13)	**742,344**	446,754
	1,099,647	845,805
Less: Non-current portion comprising loan to Superb Land	**—**	(274,455)
Current portion	**1,099,647**	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, joints 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	2017
	RMB'000	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	2017
	RMB'000	RMB'000
Available-for-sale financial assets — Non-current		
Unlisted equity shares (Note)	**—**	30,150
Equity investments measured at FVTOCI — Non-current		
Unlisted equity shares (Note)	**40,550**	—
	40,550	30,150

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	2017
	RMB'000	RMB'000
Current		
Assets	**6,780,424**	4,638,210
Liabilities	**(5,036,432)**	(3,650,261)
Total current net assets	**1,743,992**	987,949
Non-current		
Assets	**14,849**	28,736
Total non-current net assets	**14,849**	28,736
Net assets	**1,758,841**	1,016,685

Summarised statement of profit or loss and other comprehensive income

	Nanjing Mingmao Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**2,433,583**	1,488,379
Profit before income tax	**989,543**	319,915
Income tax	**(247,386)**	(99,200)
Post-tax profit and other comprehensive income	**742,157**	220,715

20 NON-CONTROLLING INTERESTS (continued)

Material non-controlling interests (continued)

Summarised statement of cash flows

	Nanjing Mingmao Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cash flows from operating activities:		
Cash generated from/(used in) operations	**1,177,981**	(131,620)
PRC income tax paid	**(122,489)**	11,250
Net cash generated from/(used in) operating activities	**1,055,492**	(120,370)
Net cash generated from/(used in) financing activities	**375,438**	(56,026)
Net increase/(decrease) in cash and cash equivalents	**1,430,930**	(176,396)
Cash and cash equivalents at beginning of the year	**105,452**	281,848
Cash and cash equivalents at end of the year	**1,536,382**	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.

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	2017
	RMB'000	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	2017
	RMB'000	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	2017
	RMB'000	RMB'000
For the development of property projects	**2,029,657**	2,029,658

23 BORROWINGS

	As at 31 December	
	2018	2017
	RMB'000	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
	5,102,597	9,554,607
Less: Amounts due within one year	**(2,992,919)**	(6,943,501)
	2,109,678	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
	8,729,820	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
	2,109,678	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	**Fair values**
	RMB'000	RMB'000
As at 31 December 2018		
Bank borrowings (Note (i))	**608,410**	**617,824**
Bonds (Note (i))	**1,501,268**	**1,630,780**
	2,109,678	**2,248,604**
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.

24 CONTRACT LIABILITIES

	31 December 2018 RMB'000	**1 January 2018 RMB'000**	31 December 2017 RMB'000
Contract liabilities arising from:			
Properties development	**20,929,545**	**15,714,488**	—
Other services	**9,495**	**5,695**	—
	20,939,040	**15,720,183**	—

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	**20,939,040**

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	2017
	RMB'000	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)

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	2017
	RMB'000	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	**(1,281,031)**	**(101,744)**	**(183,477)**	**(530,770)**	**(2,097,022)**
(Charged)/credited to the consolidated statement of profit or loss	**(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	(1,203,040)	(102,017)	(192,448)	(450,069)	(1,947,574)
(Charged)/credited to the consolidated statement of profit or loss	(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.

26 TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	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
	14,938,535	12,866,560
Less: Non-current portion of other payables (Note (b)(i))	**—**	(400,000)
Current portion	**14,938,535**	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	2017
	RMB'000	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
	9,946,853	7,814,630

26 TRADE AND OTHER PAYABLES (continued)

Notes: (continued)

(b) Other payables comprise:

	As at 31 December	
	2018	2017
	RMB'000	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
	4,739,387	4,894,032

(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.

27 AMOUNTS DUE TO RELATED PARTIES, JOINT VENTURES AND ASSOCIATED COMPANIES

	Maximum outstanding balance during the year	As at 31 December	
		2018	2017
	RMB'000	**RMB'000**	RMB'000
Controlling shareholders			
Mr. Wong Wun Ming	1,359,371	**1,359,371**	697,043
Companies controlling by controlling shareholders		**32,500**	1,943
Joint ventures (Note 13)		**4,570,183**	3,936,141
Associated companies (Note 12)		**970,602**	692,165
		6,932,656	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	2017
	RMB'000	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	2017
	RMB'000	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.

29 OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 December	
	2018	2017
	RMB'000	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)
	(168,202)	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	2017
	RMB'000	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	2017
	RMB'000	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.

31 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2018	2017
	RMB'000	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 RMB'000	Total RMB'000
Executive directors				
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**
Independent non-executive directors				
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 *J.P.* (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
Executive directors				
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
Independent non-executive directors				
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).

33 INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax	**645,650**	468,871
— PRC land appreciation tax	**389,949**	310,662
	1,035,599	779,533
Deferred income tax		
— PRC enterprise income tax	**165,394**	(146,869)
— PRC withholding income tax	**85,270**	80,701
	250,664	(66,168)
	1,286,263	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	2017
	RMB'000	RMB'000
Profit before income tax	**2,575,394**	1,898,816
PRC land appreciation tax	**(389,949)**	(310,662)
	2,185,445	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
PRC enterprise income tax	**811,044**	322,002
PRC land appreciation tax	**389,949**	310,662
PRC withholding income tax	**85,270**	80,701
Total tax expense	**1,286,263**	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)	**855,076**	1,024,220
Weighted average number of ordinary shares in issue (thousands)	**6,093,451**	6,093,451
Basic and diluted earnings per share (RMB cents)	**14.0**	16.8

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 2018	2017	Principal activities
Subsidiaries — established in the PRC							
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

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 2018	2017	Principal activities
Subsidiaries — established in the PRC (continued)							
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

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 2018	2017	Principal activities
Subsidiaries — established in the PRC (continued)							
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

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 2018	2017	Principal activities
Subsidiaries — established in the PRC (continued)							
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

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 2018	2017	Principal activities
Subsidiaries — established in the PRC (continued)							
Ping Liang Shi Ding Sheng Real Estate Co., Ltd 平凉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

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 2018	2017	Principal activities
Subsidiaries — established in the PRC (continued)							
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

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 2018	2017	Principal activities
Subsidiaries — established in the PRC (continued)							
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 厦門弘盛天威置業有限公司	27 October 2017	Domestic enterprise	RMB50,000,000	—	**100%**	100%	Trading of construction materials
Laian 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

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 2018	2017	Principal activities
Subsidiaries — established in the PRC (continued)							
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

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 2018	2017	Principal activities
Subsidiaries — established in the PRC (continued)							
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 December2017	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
Subsidiary — incorporated in Taiwan							
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

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 2018	2017	Principal activities
Subsidiaries — incorporated in Hong Kong							
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

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 2018	2017	Principal activities
Subsidiaries — incorporated in Hong Kong (continued)							
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

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 2018	2017	Principal activities
Subsidiaries — incorporated in the British Virgin Islands							
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

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 2018	2017	Principal activities
Subsidiaries — incorporated in the British Virgin Islands (continued)							
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 鋭通有限公司*	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
Associated companies — established in the PRC							
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 南京鋭昱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 長春悦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
Associated company — incorporated in the British Virgin Islands							
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

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 2018	2017	Principal activities
Joint venture — established in the PRC							
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
Joint ventures — incorporated in the British Virgin Islands							
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.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties (Note)	**5,448,321**	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	2017
	RMB'000	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
	7,844,240	7,397,478

(b) Commitment for an equity investment

	As at 31 December	
	2018	2017
	RMB'000	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	2017
	RMB'000	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
	276,184	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	2017
	RMB'000	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
	1,735,237	1,775,605

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	2017
	RMB'000	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	2017
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**6,533**	6,926
Retirement scheme contributions	**72**	137
	6,605	7,063

41 HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**71**	177
Investments in subsidiaries	**214**	214
	285	391
Current assets		
Other receivables	**13,143**	12,539
Amounts due from subsidiaries	**7,345,124**	7,169,599
Cash and cash equivalents	**3,663**	199,311
	7,361,930	7,381,449
Total assets	**7,362,215**	7,381,840
LIABILITIES		
Current liabilities		
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
	6,908,544	6,154,292
Net current assets	**453,386**	1,227,157
Total assets less current liabilities	**453,671**	1,227,548
Non-current liabilities		
Borrowings	**1,509,904**	1,753,969
Total liabilities	**8,418,448**	7,908,261
Net liabilities	**(1,056,233)**	(526,421)
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**536,281**	536,281
Reserves (Note)	**(1,592,514)**	(1,062,702)
Total deficit	**(1,056,233)**	(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	Accumulated losses	Total
	RMB'000	RMB'000	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	**631,266**	**(2,223,780)**	**(1,592,514)**

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)	—

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)
Total changes from financing cash flows:	(1,054,941)	(1,175,278)	31,517	(1,008,948)	472,355	(1,136,705)	(196,026)
Exchange adjustments	(213,032)	—	—	—	—	—	—
Other changes:							
Interest expenses	991,569	—	—	—	—	—	—
Change in restricted cash relating to operating activities	—	—	—	(7,556)	—	—	—
Total other changes	991,569	—	—	(7,556)	—	—	—
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	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000
Revenue	**11,641,880**	10,071,416	5,089,696	3,039,665	3,792,610
Profit before income tax	**2,575,394**	1,898,816	824,647	742,883	1,736,932
Income tax (expense)/credit	**(1,286,263)**	(713,365)	349,510	(383,317)	(680,772)
Profit for the year	**1,289,131**	1,185,451	1,174,157	359,566	1,056,160
Attributable to:					
Equity holders of the Company	**855,076**	1,024,220	1,169,435	379,042	829,310
Non-controlling interests	**434,055**	161,231	4,722	(19,476)	226,850
	1,289,131	1,185,451	1,174,157	359,566	1,056,160

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000
Total assets	**75,373,285**	67,192,831	60,904,508	51,886,873	40,570,688
Total liabilities	**(60,085,472)**	(52,776,561)	(47,641,759)	(39,309,297)	(28,861,496)
Non-controlling interests in equity	**(1,328,650)**	(947,041)	(820,232)	(1,103,242)	(625,822)
	13,959,163	13,469,229	12,442,517	11,474,334	11,083,370

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	Note	**30 June 2018 RMB'000 (Unaudited)**	30 June 2017 RMB'000 (Unaudited)
Revenues	4	**6,518,021**	6,829,394
Cost of sales		**(4,899,422)**	(5,230,214)
Gross profit		**1,618,599**	1,599,180
Fair value gains on investment properties		**715,610**	75,101
Other income and other gains and losses	13	**(98,190)**	109,693
Net impairment loss on financial assets		**(65,402)**	(2)
Selling and marketing costs		**(269,558)**	(273,450)
General and administrative expenses		**(288,511)**	(344,519)
Operating profit		**1,612,548**	1,166,003
Finance income	15	**53,863**	37,276
Finance costs	15	**—**	—
Finance income — net	15	**53,863**	37,276
Share of results of			
— Associated companies		**10,770**	1,351
— Joint ventures		**(25,142)**	(2,165)
		(14,372)	(814)
Profit before income tax	14	**1,652,039**	1,202,465
Income tax expense	16	**(698,006)**	(346,477)
Profit for the period		**954,033**	855,988
Attributable to:			
Equity holders of the Company		**698,481**	694,943
Non-controlling interests		**255,552**	161,045
		954,033	855,988
Earnings per share for profit attributable to equity holders of the Company (RMB cents)			
— Basic	18	**11.5**	11.4
— Diluted	18	**11.5**	11.4

Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 30 June 2018

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Profit for the period	**954,033**	855,988
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss		
— Currency translation differences	**452**	1,085
Total comprehensive income for the period	**954,485**	857,073
Attributable to		
Equity holders of the Company	**698,933**	696,028
Non-controlling interests	**255,552**	161,045
	954,485	857,073

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Note	**As at 30 June 2018 RMB'000 (Unaudited)**	As at 31 December 2017 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**1,574,264**	1,638,606
Investment properties		**9,533,900**	8,567,027
Land use rights		**167,611**	164,699
Goodwill		**7,169**	7,169
Investments in associated companies		**1,454,328**	1,417,372
Investments in joint ventures		**1,940,654**	1,965,796
Deferred income tax assets		**557,483**	529,045
Other financial assets	6	**30,150**	30,150
Amount due from a joint venture		**244,759**	274,455
Other receivables	7	**185,086**	185,086
Prepayments or deposits for land use rights	5	**1,026,717**	2,526,790
		16,722,121	17,306,195
Current assets			
Land use rights		**17,063,969**	16,592,338
Properties under development		**14,807,868**	14,285,914
Completed properties held for sale		**10,396,753**	9,622,216
Inventories		**35,989**	41,578
Trade and other receivables and prepayments	7	**4,343,210**	4,841,047
Contract costs	7	**201,228**	—
Prepaid income taxes		**416,323**	459,744
Amounts due from related parties, joint ventures and associated companies		**819,686**	571,350
Amounts due from non-controlling interests		**266,768**	256,860
Restricted cash	8	**256,600**	366,363
Cash and cash equivalents		**6,345,060**	2,849,226
		54,953,454	49,886,636
Total assets		**71,675,575**	67,192,831

	Note	**As at 30 June 2018 RMB'000 (Unaudited)**	As at 31 December 2017 RMB'000 (Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	12	**14,224,116**	12,466,560
Advance proceeds received from customers		**—**	15,720,183
Contract liabilities		**18,103,420**	—
Amounts due to related parties, joint ventures and associated companies		**5,371,352**	5,327,292
Amounts due to non-controlling interests		**770,944**	697,451
Income tax payable		**1,850,597**	1,619,197
Borrowings	10	**5,258,558**	10,254,139
Provision for other liabilities and charges		**62,551**	65,064
		45,641,538	46,149,886
Net current assets		**9,311,916**	3,736,750
Total assets less current liabilities		**26,034,037**	21,042,945
Non-current liabilities			
Deferred government grants		**1,592,899**	1,641,326
Borrowings	10	**7,311,208**	2,611,106
Deferred income tax liabilities		**2,072,501**	1,974,243
Other payables	12	**92,085**	400,000
		11,068,693	6,626,675
Total liabilities		**56,710,231**	52,776,561
Net assets		**14,965,344**	14,416,270
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	9	**536,281**	536,281
Reserves		**13,265,989**	12,932,948
		13,802,270	13,469,229
Non-controlling interests		**1,163,074**	947,041
Total equity		**14,965,344**	14,416,270

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Unaudited			
	Capital and reserves attributable to equity holders of the Company			
	Share capital RMB'000	**Reserves** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
Balance at 1 January 2017	536,281	11,906,236	820,232	13,262,749
Comprehensive income				
Profit for the period	—	694,943	161,045	855,988
Other comprehensive income				
— Currency translation differences	—	1,085	—	1,085
Balance at 30 June 2017	536,281	12,602,264	981,277	14,119,822
Balance at 31 December 2017 as originally presented	**536,281**	**12,932,948**	**947,041**	**14,416,270**
Initial application of HKFRS 9 *(Note 2A(i))*	**—**	**(365,892)**	**(55,519)**	**(421,411)**
Restated balance as at 1 January 2018	**536,281**	**12,567,056**	**891,522**	**13,994,859**
Comprehensive income				
Profit for the period	**—**	**698,481**	**255,552**	**954,033**
Other comprehensive income				
— Currency translation differences	**—**	**452**	**—**	**452**
Total comprehensive income for the period	**—**	**698,933**	**255,552**	**954,485**
Transactions with owners				
Capital injection to subsidiaries by non-controlling interests	**—**	**—**	**16,000**	**16,000**
Balance at 30 June 2018	**536,281**	**13,265,989**	**1,163,074**	**14,965,344**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Net cash generated from/(used in) operating activities	**3,352,147**	(836,200)
Net cash used in investing activities	**(292,154)**	(324,476)
Net cash generated from financing activities	**427,364**	2,377,324
Effect of foreign exchange rate changes on cash	**8,477**	(1,080)
Net increase in cash and cash equivalents	**3,495,834**	1,215,568
Cash and equivalents at beginning of the period	**2,849,226**	2,290,138
Cash and cash equivalents at end of the period	**6,345,060**	3,505,706

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 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 condensed consolidated interim financial statements are presented in thousands of Renminbi (RMB'000), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 are prepared under the historical cost convention, as modified by the revaluation of investment properties and other financial assets which are carried at fair value, and in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

These condensed consolidated interim financial statements have not been audited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards

In the current period, the Group has adopted all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning of 1 January 2018. Except for impacts on adoption of HKFRS 9 and 15 as discussed below, the adoption of the other new HKFRSs had no material changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. Except for the possible impacts of adoption of HKFRS 16 upon initial application as discussed below, the Group does not expect the adoption of the pronouncement will result in significant impact on the Group's results and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

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 condensed consolidated interim financial statements.

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

	RMB'000
Reserves	
Reserves as at 31 December 2017	12,932,948
Increase in expected credit losses ("ECLs") in trade receivables	(118,708)
Increase in ECLs in other receivables	(247,184)
Restated reserves as at 1 January 2018	12,567,056
Non-controlling interests	
Non-controlling interests as at 31 December 2017	947,041
Increase in ECLs in other receivables	(55,519)
Restated non-controlling interests as at 1 January 2018	891,522

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards (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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

A *HKFRS 9 — Financial Instruments (Continued)*

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

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)

Basis of preparation (continued)

Adoption of new and revised standards (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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

A HKFRS 9 — Financial Instruments (Continued)

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

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)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

A HKFRS 9 — Financial Instruments (Continued)

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

(I) 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 1 January 2018 under HKAS 39** RMB'000	**Carrying amount as at 1 January 2018 under HKFRS 9** RMB'000
Other financial assets	Available-for-sale (at fair value) *(Note 2A(i)(ii))*	FVTOCI (equity instrument)	30,150	30,150
Amounts due from related parties, joint ventures and associated companies	Loans and receivables *(Note 2A(i)(ii))*	Amortised cost	845,805	845,805
Amounts due from non-controlling interests	Loans and receivables *(Note 2A(i)(ii))*	Amortised cost	256,860	256,860
Trade and other receivables (excluding non-financial assets of RMB1,999,106,000)	Loans and receivables *(Notes 2A(i)(ii))*	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)

Basis of preparation (continued)

Adoption of new and revised standards (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 recognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

A HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs (continued)

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)

Basis of preparation (continued)

Adoption of new and revised standards (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)

Basis of preparation (continued)

Adoption of new and revised standards (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. The loss allowance for trade receivables during the six months ended 30 June 2018 is immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

A HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECLs model (Continued)

(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 on 1 January 2018 and a further ECLs of RMB67,837,000 for the period ended 30 June 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 period ended 30 June 2018 is immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards (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 mean 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

B *HKFRS 15 Revenue from Contracts with Customers*

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)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

B HKFRS 15 Revenue from Contracts with Customers (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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

B *HKFRS 15 Revenue from Contracts with Customers (Continued)*

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 revenue of transition to HKFRS 15 as at 1 January 2018.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

B HKFRS 15 Revenue from Contracts with Customers (Continued)

The following table summarises the impacts for each line items affected when applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 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
Current assets				
Trade and other receivables and prepayments	(a)	—	(201,228)	201,228
Contract costs	(a)	201,228	201,228	—
		201,228	—	201,228

	Notes	**As reported under HKFRS 15** RMB'000	**Adjustments** RMB'000	**Amount without application of HKFRS 15** RMB'000
Current liabilities				
Advance proceeds received from customers	(b)	—	(18,103,420)	18,103,420
Contract liabilities	(b)	18,103,420	18,103,420	—
		18,103,420	—	18,103,420

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)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

B HKFRS 15 Revenue from Contracts with Customers (Continued)

There was no significant effect from adoption of HKFRS 15 on the condensed consolidated statement of profit or loss and other comprehensive income, and condensed consolidated statement of cash flows for the six months ended 30 June 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

B *HKFRS 15 Revenue from Contracts with Customers (Continued)*

(i) Timing of revenue recognition (Continued)

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 six months ended 30 June 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)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

B HKFRS 15 Revenue from Contracts with Customers (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 revenue 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 or 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 revenue as at 1 January 2018 as there was no significant financing component arising from the receipts in advance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

C 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Adoption of new and revised standards (Continued)

C HKFRS 16 — Leases (Continued)

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.

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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Company for the year ended 31 December 2017.

4 REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker (the "CODM") reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

As majority of the Group's consolidated revenue and results are attributable to the market in the PRC and most of the Group's consolidated assets are located in the PRC, therefore no geographical information is presented.

The CODM assesses the performance of the operating segments based on a measure of revenue and operating profit. The information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

4 REVENUES AND SEGMENT INFORMATION (continued)

(a) Segment information

The unaudited segment results for the six months ended 30 June 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	87,602	6,191,412	110,420	125,403	4,995	—	6,519,832
Inter-segment revenues	—	—	(1,811)	—	—	—	(1,811)
Revenues	87,602	6,191,412	108,609	125,403	4,995	—	6,518,021
Operating profit/(loss)	77,783	1,173,310	(17,107)	609,351	(230,789)	—	1,612,548
Finance income — net							53,863
Share of results of associated companies	(176)	(8,106)	—	34,370	(15,318)	—	10,770
Share of results of joint ventures	—	(9,714)	—	(15,428)	—	—	(25,142)
Profit before income tax							1,652,039
Income tax expense							(698,006)
Profit for the period							954,033
Other segment information							
Capital and property development expenditure	110,922	3,780,290	10,250	994,574	116		4,896,152
Depreciation	8,540	21,628	25,168	872	53		56,261
Amortisation of land use rights as expenses	—	31,428	—	—	—		31,428
Fair value gains on investment properties	—	—	—	415,610	—		715,610

4 REVENUES AND SEGMENT INFORMATION (continued)

(a) Segment information (continued)

The unaudited segment assets and liabilities as at 30 June 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	2,191,583	86,800,095	2,187,422	13,011,280	14,267,043	(50,759,375)	67,698,048
Associated companies	196,752	73,121	—	1,078,069	106,386	—	1,454,328
Joint ventures	1,913,232	27,422	—	—	—	—	1,940,654
	4,301,567	86,900,638	2,187,422	14,089,349	14,373,429	(50,759,375)	71,093,030
Unallocated:							
Deferred income tax assets							557,483
Prepaid income taxes							416,323
Other financial assets							30,150
Total assets							72,096,986
Segment liabilities	2,978,429	66,384,430	401,519	7,379,525	13,832,839	(50,759,375)	40,217,367
Unallocated:							
Deferred income tax liabilities							2,072,501
Borrowings							12,569,766
Income tax payable							1,850,597
Total liabilities							56,710,231

4 REVENUES AND SEGMENT INFORMATION (continued)

(a) Segment information (continued)

The unaudited segment results for the six months ended 30 June 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	382,804	6,230,407	109,030	108,609	459	—	6,831,309
Inter-segment revenues	—	—	(1,915)	—	—	—	(1,915)
Revenues	382,804	6,230,407	107,115	108,609	459	—	6,829,394
Operating (loss)/profit	(93,484)	884,446	(141)	320,377	54,805	—	1,166,003
Finance income — net							37,276
Share of results of associated companies	(736)	—	—	2,351	(264)	—	1,351
Share of results of joint ventures	(2,165)	—	—	—	—	—	(2,165)
Profit before income tax							1,202,465
Income tax expense							(346,477)
Profit for the period							855,988
Other segment information							
Capital and property development expenditure	66,479	2,265,658	1,511	156,784	79	—	2,490,511
Depreciation	5,301	17,062	17,436	1,009	51	—	40,859
Amortisation of land use rights as expenses	—	5,393	—	—	60	—	5,453
Fair value gains on investment properties	—	—	—	75,101	—	—	75,101

4 REVENUES AND SEGMENT INFORMATION (continued)

(a) Segment information (continued)

The audited 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
Available-for-sale 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

4 REVENUES AND SEGMENT INFORMATION (continued)

(b) Revenues

Turnover of the Group consists of the following revenues recognised during the period:

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Sale of properties		
— commercial	**87,602**	382,804
— residential	**6,191,412**	6,230,407
	6,279,014	6,613,211
Hotel operating income	**108,609**	107,115
Rental income		
— from investment properties	**70,675**	72,124
— others	**18,952**	12,635
Property management fee income	**35,776**	23,850
Miscellaneous income	**4,995**	459
	6,518,021	6,829,394

5 PREPAYMENTS OR DEPOSITS FOR LAND USE RIGHTS

The Group had made prepayments or deposits for acquisition of certain land use rights, the ownership certificates of which have not been obtained.

6 OTHER FINANCIAL ASSETS

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Opening and ending balance	**30,150**	26,150
Less: Non-current portion	**(30,150)**	(26,150)
Current portion	**—**	—

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Available-for-sale financial assets — Non-current		
Unlisted equity shares *(Note)*	**—**	30,150
Equity investments measured at FVTOCI — Non-current		
Unlisted equity shares *(Note)*	**30,150**	—
	30,150	30,150

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 six months ended 30 June 2018 and the year ended 31 December 2017 from the investment cost.

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS/CONTRACT COSTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**656,999**	447,377
Less: Provision for impairment of trade receivables *(Note (a))*	**(169,394)**	(50,686)
Trade receivables — net *(Note (b))*	**487,605**	396,691
Other receivables and prepayment	**4,040,691**	4,629,442
	4,528,296	5,026,133
Less: Non-current portion of other receivables *(Note (c))*	**(185,086)**	(185,086)
Current portion	**4,343,210**	4,841,047
Contract costs	**201,228**	—

As at 30 June 2018 and 31 December 2017, the fair values of trade receivables and other receivables and prepayments approximate their carrying amounts.

Notes:

(a) Movement in provision for impairment of trade receivables is as follows:

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Opening balance	**50,686**	50,684
Effect of adoption of HKFRS 9	**118,708**	—
Net impairment loss recognised during the period	**—**	2
	169,394	50,686

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS/CONTRACT COSTS (Continued)

Notes: (Continued)

(b) Trade receivables 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 invoices dates, as of the end of the period is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 90 days	**107,274**	86,386
Over 90 days and within 1 year	**126,777**	105,087
Over 1 year and within 2 years	**136,529**	111,892
Over 2 years	**117,025**	93,326
	487,605	396,691

The ageing analysis of trade receivables (net of impairment losses) of the Group, based on due dates, as of the end of the period is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Neither past due nor impaired	**—**	—
Within 90 days	**107,274**	86,386
Over 90 days and within 1 year	**126,777**	105,087
Over 1 year and within 2 years	**136,529**	111,892
Over 2 years	**117,025**	93,326
	487,605	396,691

As at 30 June 2018, trade receivables of RMB169,394,000 (2017: RMB50,686,000) are considered impaired. The ageing of these receivables are over 3 years.

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS/CONTRACT COSTS (Continued)

Notes: (Continued)

(c) 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 interim report, the transaction has not yet completed and is pending for the approval by the government authority.

(ii) 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%.

8 RESTRICTED CASH

As at 30 June 2018, the Group's cash of approximately RMB256,600,000 (31 December 2017: RMB366,363,000) was restricted and deposited in certain banks as security for certain borrowings.

9 SHARE CAPITAL

Details of share capital of the Company are as follows:

	Par value HK$	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent RMB
Authorised:				
At 1 January 2017, 31 December 2017 and 30 June 2018	0.1	12,000,000,000	1,200,000,000	
Issued and fully paid:				
At 1 January 2017, 31 December 2017 and 30 June 2018	0.1	6,093,451,026	609,345,103	536,280,877

10 BORROWINGS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Borrowings included in non-current liabilities		
Bank borrowings — secured	**8,669,964**	7,054,638
Other borrowings — secured	**2,103,320**	746,000
Bonds	**1,786,482**	1,753,969
	12,559,766	9,554,607
Less: Amounts due within one year	**(5,248,558)**	(6,943,501)
	7,311,208	2,611,106
Borrowings included in current liabilities		
Bank borrowings — secured	**10,000**	1,746,012
Other borrowings — guaranteed and secured	**—**	886,026
Current portion of long-term borrowings	**3,925,238**	6,943,501
Senior notes and bonds	**1,323,320**	678,600
	5,258,558	10,254,139

11 PLEDGED ASSETS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Completed properties held for sale	**2,098,423**	2,178,175
Property, plant and equipment	**305,298**	405,405
Properties under development	**2,300,817**	1,794,915
Land use rights	**2,869,681**	4,586,121
Investment properties	**2,323,600**	2,630,500
Restricted cash	**256,600**	366,363
	10,154,419	11,961,479

12 TRADE AND OTHER PAYABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade payables *(Note)*	**9,337,658**	7,814,630
Other payables	**4,782,948**	4,894,032
Other taxes payable	**195,595**	157,898
	14,316,201	12,866,560
Less: Non-current portion of other payables	**(92,085)**	(400,000)
	14,224,116	12,466,560

Note:

The ageing analysis of trade payables, based on invoice dates, as of the end of the period is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 90 days	**5,146,371**	4,552,683
Over 90 days and within 1 year	**1,237,563**	1,041,891
Over 1 year	**2,953,724**	2,220,056
	9,337,658	7,814,630

13 OTHER INCOME AND OTHER GAINS AND LOSSES

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Government grants	**35**	587
Net exchange (losses)/gains	**(98,576)**	106,214
Miscellaneous	**351**	2,892
	(98,190)	109,693

14 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Staff costs — including directors' emoluments	**234,675**	194,523
Auditor's remuneration	**2,400**	2,400
Charitable donations	**345**	400
Depreciation	**56,261**	40,859
Amortisation of land use rights	**31,428**	5,453
Cost of properties sold	**4,663,245**	4,908,420
Business tax and other levies on sales and construction of properties	**121,667**	203,250
Direct outgoings arising from investment properties that generate rental income	**70,093**	60,430
Operating lease expenses on land and buildings	**17,579**	22,838
Hotel operating expenses	**56,410**	60,442
Provision for delay in delivering properties	**6,248**	1,630

15 FINANCE INCOME AND COSTS

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Finance income		
— interest income on bank deposits and loan to a related party	**53,863**	37,276
Interest expenses on borrowings	**389,590**	527,767
Less: Interest capitalised	**(389,590)**	(527,767)
Finance costs	**—**	—
Net finance income	**53,863**	37,276

16 INCOME TAX EXPENSE

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Current income tax		
— PRC enterprise income tax	**280,636**	121,563
— PRC land appreciation tax	**172,002**	27,360
	452,638	148,923
Deferred income tax		
— PRC enterprise income tax	**196,294**	166,939
— PRC withholding income tax	**49,074**	30,615
	245,368	197,554
	698,006	346,477

(a) Hong Kong profits tax
Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit in Hong Kong during the six months ended 30 June 2018 (2017: Nil).

(b) 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.

(c) 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.

16 INCOME TAX EXPENSE (continued)

(d) 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.

17 DIVIDENDS

The Board does not recommend payment of interim dividend for the six months ended 30 June 2018 (2017: Nil).

18 EARNINGS PER SHARE

Basic and diluted

Basic earnings per share for the six months ended 30 June 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 period.

As there were no dilutive options and other dilutive potential shares in issue during the six months ended 30 June 2018 and 2017, and the Company's shares were suspended for trading on Stock Exchange, diluted earnings per share is same as basic earnings per share.

	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	**698,481**	694,943
Weighted average number of ordinary shares in issue (thousands)	**6,093,451**	6,093,451
Basic and diluted earnings per share (RMB cents)	**11.5**	11.4

19 CONTINGENT LIABILITIES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties *(Note (a))*	**5,559,301**	5,530,125
Guarantees in respect of banking facilities granted to associated companies *(Note (b))*	**1,200,000**	1,200,000
Guarantees in respect of banking facilities granted to joint ventures *(Note (c))*	**243,821**	238,277
	7,003,122	6,968,402

Notes:

(a) 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 of the Company 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.

(b) As at 30 June 2018 and 31 December 2017, the Group provided guarantees of the following amounts in respect of bank borrowings to its associated companies:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Nanjing Software Valley Qichuang Communication Technology Co., Ltd	**400,000**	400,000
Nanjing Software Valley Mingfa Technology Development Company Limited	**800,000**	800,000
Total	**1,200,000**	1,200,000

19 CONTINGENT LIABILITIES (continued)

Notes: (continued)

(c) As at 30 June 2018 and 31 December 2017, the Group provided guarantee of the following amount in respect of bank borrowing to a joint venture:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Superb Land Limited ("Superb Land")	**243,821**	238,277

20 COMMITMENTS

(a) Commitments for capital and property development expenditure

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted but not provided for		
— Properties being developed by the Group for sale	**5,664,078**	4,529,715
— Land use rights	**2,677,158**	2,867,763
	8,341,236	7,397,478

(b) Commitments for equity investments

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted but not provided for		
— Acquisition of a subsidiary	**130,000**	130,000

20 COMMITMENTS (continued)

(c) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	**24,637**	21,311
In the second to fifth year, inclusive	**86,812**	90,147
Over five years	**179,441**	186,037
	290,890	297,495

(d) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	**142,545**	123,504
In the second to fifth year, inclusive	**693,348**	653,775
Over five years	**921,817**	998,326
	1,757,710	1,775,605

21 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Other than those disclosed elsewhere in these condensed consolidated interim financial statements, the Group had entered into the following major related party transactions:

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Interest income from loan to Superb Land, a joint venture	**3,128**	3,322
Sale of car parks (recorded as completed properties held for sale) to Mr. Huang Li Shui, a controlling shareholder	**—**	476
Sale of properties (recorded as completed properties held for sale) to a close family member of controlling shareholders	**—**	633

(b) Key management compensation

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Salaries and other short-term employee benefits	**3,518**	3,729
Retirement scheme contributions	**39**	74
	3,557	3,803

22 APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements for the six months ended 30 June 2018 were approved and authorised for issue by the board of directors of the Company on 25 July 2019.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Note	**30 June 2019 RMB'000 (Unaudited)**	30 June 2018 RMB'000 (Unaudited)
Revenues	4	**4,118,868**	6,518,021
Cost of sales		**(2,849,817)**	(4,899,422)
Gross profit		**1,269,051**	1,618,599
Fair value gains on investment properties		**219,991**	715,610
Other income and other gains and losses	13	**(37,928)**	(98,190)
Net impairment loss on financial assets		**(44,137)**	(65,402)
Selling and marketing costs		**(225,638)**	(269,558)
General and administrative expenses		**(304,222)**	(288,511)
Operating profit		**877,117**	1,612,548
Finance income	15	**50,331**	53,863
Finance costs	15	**(2,302)**	—
Finance income — net	15	**48,029**	53,863
Share of results of			
— Associated companies		**(7,407)**	10,770
— Joint ventures		**4,884**	(25,142)
		(2,523)	(14,372)
Profit before income tax	14	**922,623**	1,652,039
Income tax expense	16	**(472,752)**	(698,006)
Profit for the period		**449,871**	954,033
Attributable to:			
Equity holders of the Company		**418,255**	698,481
Non-controlling interests		**31,616**	255,552
		449,871	954,033
Earnings per share for profit attributable to equity holders of the Company (RMB cents)			
— Basic	18	**6.9**	11.5
— Diluted	18	**6.9**	11.5

Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 30 June 2019

	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Profit for the period	**449,871**	954,033
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss		
— Currency translation differences	**2,593**	452
Total comprehensive income for the period	**452,464**	954,485
Attributable to		
Equity holders of the Company	**420,848**	698,933
Non-controlling interests	**31,616**	255,552
	452,464	954,485

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Note	**As at 30 June 2019 RMB'000 (Unaudited)**	As at 31 December 2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**1,590,897**	1,606,743
Right-of-use assets		**191,998**	—
Investment properties		**10,949,022**	10,693,027
Land use rights		**457,990**	461,258
Goodwill		**7,169**	7,169
Investments in associated companies		**1,526,046**	1,509,279
Investments in joint ventures		**1,992,793**	1,987,909
Deferred income tax assets		**706,104**	606,273
Other financial assets	6	**40,550**	40,550
Other receivables	7	**104,293**	106,327
Prepayments or deposits for land use rights	5	**822,880**	1,046,340
		18,389,742	18,064,875
Current assets			
Land use rights		**16,941,382**	17,357,451
Properties under development		**16,341,713**	16,883,863
Completed properties held for sale		**13,338,969**	10,314,214
Inventories		**42,590**	38,606
Trade and other receivables and prepayments	7	**4,384,338**	4,919,969
Contract costs	7	**200,566**	228,475
Prepaid income taxes		**481,540**	394,407
Amounts due from related parties, joint ventures and associated companies		**1,883,575**	1,099,647
Amounts due from non-controlling interests		**365,582**	378,777
Restricted cash	8	**419,518**	429,621
Cash and cash equivalents		**4,351,246**	5,263,380
		58,751,019	57,308,410
Total assets		**77,140,761**	75,373,285

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Note	**As at 30 June 2019 RMB'000 (Unaudited)**	As at 31 December 2018 RMB'000 (Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	12	**15,721,772**	14,938,535
Lease liabilities		**56,262**	—
Contract liabilities		**23,406,429**	20,939,040
Amounts due to related parties, joint ventures and associated companies		**6,604,358**	6,932,656
Amounts due to non-controlling interests		**1,230,654**	836,285
Income tax payable		**1,740,843**	1,895,249
Borrowings	10	**6,939,868**	8,729,820
Provision for other liabilities and charges		**64,407**	64,827
		55,764,593	54,336,412
Net current assets		**2,986,426**	2,971,998
Total assets less current liabilities		**21,376,168**	21,036,873
Non-current liabilities			
Deferred government grants		**1,396,485**	1,429,486
Borrowings	10	**1,523,650**	2,109,678
Deferred income tax liabilities		**2,344,218**	2,209,896
Lease liabilities		**119,436**	—
		5,383,789	5,749,060
Total liabilities		**61,148,382**	60,085,472
Net assets		**15,992,379**	15,287,813
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	9	**536,281**	536,281
Reserves		**13,843,730**	13,422,882
		14,380,011	13,959,163
Non-controlling interests		**1,612,368**	1,328,650
Total equity		**15,992,379**	15,287,813

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Unaudited			
	Capital and reserves attributable to equity holders of the Company			
	Share capital	**Reserves**	**Non-controlling interests**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2017 as originally presented	536,281	12,932,948	947,041	14,416,270
Initial application of HKFRS 9	—	(365,892)	(55,519)	(421,411)
Balance at 1 January 2018	536,281	12,567,056	891,522	13,994,859
Comprehensive income				
Profit for the period	—	698,481	255,552	954,033
Other comprehensive income				
— Currency translation differences	—	452	—	452
Total comprehensive income for the period	—	698,933	255,552	954,485
Transactions with owners				
Capital injection to subsidiaries by non-controlling interests	—	—	16,000	16,000
Balance at 30 June 2018	536,281	13,265,989	1,163,074	14,965,344
Balance at 1 January 2019	**536,281**	**13,422,882**	**1,328,650**	**15,287,813**
Comprehensive income				
Profit for the period	**—**	**418,255**	**31,616**	**449,871**
Other comprehensive income				
— Currency translation differences	**—**	**2,593**	**—**	**2,593**
Total comprehensive income for the period	**—**	**420,848**	**31,616**	**452,464**
Transactions with owners				
Capital injection to subsidiaries by non-controlling interests	**—**	**—**	**252,102**	**252,102**
Balance at 30 June 2019	**536,281**	**13,843,730**	**1,612,368**	**15,992,379**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Net cash generated from operating activities	**1,466,914**	3,352,147
Net cash generated from/(used in) investing activities	**34,116**	(292,154)
Net cash (used in)/generated from financing activities	**(2,426,791)**	427,364
Effect of foreign exchange rate changes on cash	**13,627**	8,477
Net (decrease)/increase in cash and cash equivalents	**(912,134)**	3,495,834
Cash and cash equivalents at beginning of the period	**5,263,380**	2,849,226
Cash and cash equivalents at end of the period	**4,351,246**	6,345,060

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 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 condensed consolidated interim financial statements are presented in thousands of Renminbi (RMB'000), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 are prepared under the historical cost convention, as modified by the revaluation of investment properties and other financial assets which are carried at fair value, and in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

These condensed consolidated interim financial statements have not been audited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

Adoption of new and revised standards

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015–2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (ii) to (v) of this note.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

Adoption of new and revised standards (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on the consoldiated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	RMB'000
Consolidated statement of financial position as at 1 January 2019	
Right-of-use assets	104,989
Lease liabilities (current)	36,214
Lease liabilities (non-current)	68,775

The following reconciliation explains how the operating lease commitments under HKAS 17 as at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitment to lease liabilities

	RMB'000
Operating lease commitment as at 31 December 2018	112,533
Less: short term leases for which lease terms end within 31 December 2019	(4,831)
Less: future interest expenses	(2,713)
Total lease liabilities as at 1 January 2019	104,989

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 4.75%.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

Adoption of new and revised standards (Continued)

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

Adoption of new and revised standards (Continued)

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the date of adoption of HKFRS 16. i.e. 1 January 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

Adoption of new and revised standards (Continued)

(iii) Accounting as a lessee (Continued)

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

Adoption of new and revised standards (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset;

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these condensed consolidated interim financial statements;

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

Adoption of new and revised standards (Continued)

(v) Transition (Continued)

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted by using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Company for the year ended 31 December 2018.

4 REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker (the "CODM") reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

As majority of the Group's consolidated revenue and results are attributable to the market in the PRC and most of the Group's consolidated assets are located in the PRC, therefore no geographical information is presented.

The CODM assesses the performance of the operating segments based on a measure of revenue and operating profit. The information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

4 REVENUES AND SEGMENT INFORMATION (Continued)

(a) Segment information

The unaudited segment results for the six months ended 30 June 2019 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	363,344	3,494,321	111,398	149,549	1,661	—	4,120,273
Inter-segment revenues	—	—	(1,405)	—	—	—	(1,405)
Revenues	363,344	3,494,321	109,993	149,549	1,661	—	4,118,868
Operating profit/(loss)	97,333	415,126	(15,088)	422,431	(42,685)	—	877,117
Finance income — net							48,029
Share of results of associated companies	(116)	(1,903)	—	23,791	(29,179)	—	(7,407)
Share of results of joint ventures	—	(764)	—	5,648	—	—	4,884
Profit before income tax							922,623
Income tax expense							(472,752)
Profit for the period							449,871
Other segment information							
Capital and property development expenditure	778,405	1,215,326	43,649	476,350	2,562	—	2,516,292
Depreciation on property plant and equipment	8,115	12,972	16,528	1,785	320	—	39,720
Depreciation on right-of-use assets	2,407	13,197	2,899	—	—	—	18,503
Amortisation of land use rights as expenses	—	23,581	—	—	—	—	23,581
Fair value gains on investment properties	—	—	—	219,991	—	—	219,991

4 REVENUES AND SEGMENT INFORMATION (Continued)

(a) Segment information (Continued)

The unaudited segment assets and liabilities as at 30 June 2019 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	5,106,274	89,583,480	2,032,396	14,340,271	18,922,025	(57,590,718)	72,393,728
Associated companies	147,807	108,439	—	1,178,847	90,953	—	1,526,046
Joint ventures	—	44,840	—	1,947,953	—	—	1,992,793
	5,254,081	89,736,759	2,032,396	17,467,071	19,012,978	(57,590,718)	75,912,567
Unallocated:							
Deferred income tax assets							706,104
Prepaid income taxes							481,540
Other financial assets							40,550
Total assets							77,140,761
Segment liabilities	2,148,861	80,832,953	751,855	6,926,522	15,530,330	(57,590,718)	48,599,803
Unallocated:							
Deferred income tax liabilities							2,344,218
Borrowings							8,463,518
Income tax payable							1,740,843
Total liabilities							61,148,382

4 REVENUES AND SEGMENT INFORMATION (Continued)

(a) Segment information (Continued)

The unaudited segment results for the six months ended 30 June 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	87,602	6,191,412	110,420	125,403	4,995	—	6,519,832
Inter-segment revenues	—	—	(1,811)	—	—	—	(1,811)
Revenues	87,602	6,191,412	108,609	125,403	4,995	—	6,518,021
Operating profit/(loss)	77,783	1,173,310	(17,107)	609,351	(230,789)	—	1,612,548
Finance income — net							53,863
Share of results of associated companies	(176)	(8,106)	—	34,370	(15,318)	—	10,770
Share of results of joint ventures	—	(9,714)	—	(15,428)	—	—	(25,142)
Profit before income tax							1,652,039
Income tax expense							(698,006)
Profit for the period							954,033
Other segment information							
Capital and property development expenditure	110,922	3,780,290	10,250	994,574	116	—	4,896,152
Depreciation	8,540	21,628	25,168	872	53	—	56,261
Amortisation of land use rights as expenses	—	31,428	—	—	—	—	31,428
Fair value gains on investment properties	—	—	—	715,610	—	—	715,610

4 REVENUES AND SEGMENT INFORMATION (Continued)

(a) Segment information (Continued)

The audited 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
	4,662,343	93,641,751	2,357,106	15,142,474	15,501,144	(56,972,763)	74,332,055
Unallocated:							
Deferred income tax assets							606,273
Prepaid income taxes							394,407
Other financial assets							40,550
Total assets							75,373,285
Segment liabilities	3,343,014	74,510,968	450,668	8,282,843	15,526,099	(56,972,763)	45,140,829
Unallocated:							
Deferred income tax liabilities							2,209,896
Borrowings							10,839,498
Income tax payable							1,895,249
Total liabilities							60,085,472

4 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Revenues

Turnover of the Group consists of the following revenues recognised during the period:

	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Revenue from contracts with customer within the scope of HKFRS 15:		
• Property development — commercial	**363,344**	87,602
• Property development — residential	**3,494,321**	6,191,412
• Hotel	**109,993**	108,609
• Property investment and management — property management fee income	**34,261**	35,776
• All other segments	**1,661**	4,995
	4,003,580	6,428,394
Revenue from other sources		
• Property investment and management — rental income	**115,288**	89,627
	4,118,868	6,518,021

5 PREPAYMENTS OR DEPOSITS FOR LAND USE RIGHTS

The Group had made prepayments or deposits for acquisition of certain land use rights, the ownership certificates of which have not been obtained.

6 OTHER FINANCIAL ASSETS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Opening balance	**40,550**	30,150
Addition	**—**	10,400
Ending balance	**40,550**	40,550
Less: Non-current portion	**(40,550)**	(40,550)
Current portion	**—**	—
Equity investments measured at fair value through other comprehensive income — Non-current		
Unlisted equity shares *(Note)*	**40,550**	40,550

Note: Other financial assets represented unlisted equity investment of 10% in a 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 six months ended 30 June 2019 and the year ended 31 December 2018 from the investment cost.

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS/CONTRACT COSTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	**440,478**	417,552
Less: Provision for impairment of trade receivables *(Note (a))*	**(173,668)**	(164,628)
Trade receivables — net *(Note (b))*	**266,810**	252,924
Other receivables and prepayments	**4,221,821**	4,773,372
	4,488,631	5,026,296
Less: Non-current portion of other receivables *(Note (c))*	**(104,293)**	(106,327)
Current portion	**4,384,338**	4,919,969
Contract costs	**200,566**	228,475

As at 30 June 2019 and 31 December 2018, the fair values of trade receivables and other receivables and prepayments and contract costs approximate their carrying amounts.

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS/CONTRACT COSTS (Continued)

Notes:

(a) Movement in provision for impairment of trade receivables is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Opening balance	**164,628**	50,686
Effect of adoption of HKFRS 9	**—**	118,708
Net impairment loss recognised during the period	**9,040**	(4,766)
	173,668	164,628

(b) Trade receivables 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 invoices dates, as of the end of the period is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 90 days	**68,764**	65,185
Over 90 days and within 1 year	**85,809**	81,343
Over 1 year and within 2 years	**57,903**	54,889
Over 2 years	**54,334**	51,507
	266,810	252,924

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS/CONTRACT COSTS (Continued)

Notes: (Continued)

(c) 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 interim report, the transaction has not yet completed and is pending for the approval by the government authority.

(ii) 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%.

8 RESTRICTED CASH

As at 30 June 2019, the Group's cash of approximately RMB419,518,000 (unaudited) (31 December 2018: RMB429,621,000 (audited)) was restricted and deposited in certain banks as security for certain borrowings.

9 SHARE CAPITAL

Details of share capital of the Company are as follows:

	Par value	**Number of ordinary shares**	**Nominal value of ordinary shares**	**Equivalent**
	HK$		HK$	RMB
Authorised:				
At 1 January 2018, 31 December 2018 and 30 June 2019	0.1	12,000,000,000	1,200,000,000	
Issued and fully paid:				
At 1 January 2018, 31 December 2018 and 30 June 2019	0.1	6,093,451,026	609,345,103	536,280,877

10 BORROWINGS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Borrowings included in non-current liabilities		
Bank borrowings — secured	**3,526,083**	3,137,813
Bank borrowings — unsecured	**184,880**	184,880
Other borrowings — secured	**231,614**	278,636
Bonds	**1,512,434**	1,501,268
	5,455,011	5,102,597
Less: Amounts due within one year	**(3,931,361)**	(2,992,919)
	1,523,650	2,109,678
Borrowings included in current liabilities		
Bank borrowings — secured	**930,380**	3,388,002
Other borrowings — guaranteed and secured	**359,452**	976,259
Current portion of long-term borrowings	**3,931,361**	2,992,919
Senior notes and bonds	**1,718,675**	1,372,640
	6,939,868	8,729,820

11 PLEDGED ASSETS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Completed properties held for sale	**2,439,658**	2,623,029
Property, plant and equipment	**205,718**	381,623
Properties under development	**1,080,404**	2,876,021
Land use rights	**2,536,086**	3,587,102
Investment properties	**2,914,500**	2,904,500
Restricted cash	**419,518**	429,621
	9,595,884	12,801,896

12 TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables *(Note)*	**9,392,097**	9,946,853
Other payables	**6,131,173**	4,739,387
Other taxes payable	**198,502**	252,295
	15,721,772	14,938,535

12 TRADE AND OTHER PAYABLES (Continued)

Note:

The ageing analysis of trade payables, based on invoice dates, as of the end of the period is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 90 days	**5,021,820**	5,318,440
Over 90 days and within 1 year	**1,454,605**	1,540,523
Over 1 year	**2,915,672**	3,087,890
	9,392,097	9,946,853

13 OTHER INCOME AND OTHER GAINS AND LOSSES

	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Government grants	**—**	35
Net exchange losses	**(12,315)**	(98,576)
Miscellaneous	**(25,613)**	351
	(37,928)	(98,190)

14 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Staff costs — including directors' emoluments	**239,265**	234,675
Auditor's remuneration	**2,400**	2,400
Charitable donations	**3,895**	345
Depreciation of property, plant and equipment	**39,720**	56,261
Depreciation of right-of-use assets	**18,503**	—
Amortisation of land use rights	**23,581**	31,428
Cost of properties sold	**2,636,784**	4,663,245
Business tax and other levies on sales and construction of properties	**30,290**	121,667
Direct outgoings arising from investment properties that generate rental income	**87,656**	70,093
Operating lease expenses on land and buildings	**9,235**	17,579
Hotel operating expenses	**81,594**	56,410
Provision for delay in delivering properties	**11,104**	6,248

15 FINANCE INCOME AND COSTS

	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Finance income		
— interest income on bank deposits and loan to a related party	**50,331**	53,863
Interest expenses on borrowings	**290,829**	389,590
Interest expenses on lease liabilities	**2,302**	—
Less: Interest capitalised	**(290,829)**	(389,590)
Finance costs	**(2,302)**	—
Net finance income	**48,029**	53,863

16 INCOME TAX EXPENSE

	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Current income tax		
— PRC enterprise income tax	**126,693**	280,636
— PRC land appreciation tax	**278,474**	172,002
	405,167	452,638
Deferred income tax		
— PRC enterprise income tax	**27,014**	196,294
— PRC withholding income tax	**40,571**	49,074
	67,585	245,368
	472,752	698,006

16 INCOME TAX EXPENSE (Continued)

(a) Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit in Hong Kong during the six months ended 30 June 2019 (2018: Nil).

(b) PRC enterprise income tax

PRC enterprise income tax is provided for at 25% (2018: 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.

(c) 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.

(d) 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.

17 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019 (2018: Nil).

18 EARNINGS PER SHARE

Basic and diluted

Basic earnings per share for the six months ended 30 June 2019 and 2018 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 period.

As there were no dilutive options and other dilutive potential shares in issue during the six months ended 30 June 2019 and 2018, and the Company's shares were suspended for trading on Stock Exchange, diluted earnings per share is same as basic earnings per share.

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	**418,255**	698,481
Weighted average number of ordinary shares in issue (thousands)	**6,093,451**	6,093,451
Basic and diluted earnings per share (RMB cents)	**6.9**	11.5

19 CONTINGENT LIABILITIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties *(Note (a))*	**6,908,117**	5,448,321
Guarantees in respect of banking facilities granted to associated companies *(Note (b))*	**400,000**	1,200,000
Guarantees in respect of banking facilities granted to a joint venture *(Note (c))*	**309,038**	256,478
	7,617,155	6,904,799

19 CONTINGENT LIABILITIES (Continued)

Notes:

(a) 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 of the Company 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.

(b) As at 30 June 2019 and 31 December 2018, the Group provided guarantees of the following amounts in respect of bank borrowings to its associated companies:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Nanjing Software Valley Qichuang Communication Technology Co., Ltd	**400,000**	400,000
Nanjing Software Valley Mingfa Technology Development Company Limited	**—**	800,000
Total	**400,000**	1,200,000

(c) As at 30 June 2019 and 31 December 2018, the Group provided guarantee of the following amount in respect of bank borrowing to a joint venture:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Superb Land Limited ("Superb Land")	**309,038**	256,478

20 COMMITMENTS

(a) Commitments for capital and property development expenditure

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contracted but not provided for		
— Properties being developed by the Group for sale	**6,422,419**	5,055,577
— Land use rights	**2,724,328**	2,788,663
	9,146,747	7,844,240

(b) Commitments for equity investments

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contracted but not provided for		
— Acquisition of a subsidiary	**340,830**	—

21 RELATED PARTY TRANSACTIONS

(a) Other than those disclosed elsewhere in these condensed consolidated interim financial statements, the Group had entered into the following major related party transactions:

	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Interest income from loan to Superb Land, a joint venture	**3,004**	3,128

(b) Key management compensation

	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Salaries and other short-term employee benefits	**3,333**	3,518
Retirement scheme contributions	**36**	39
	3,369	3,557

22 APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements for the six months ended 30 June 2019 were approved and authorised for issue by the board of directors of the Company on 27 August 2019.

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