新明中国控股
XINMING CHINA

Xinming China Holdings Limited
新明中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2699)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

ANNUAL RESULTS HIGHLIGHTS

- Turnover of the Group amounted to approximately RMB624.8 million, representing a significant decrease of approximately 66.9% as compared with last year.
- Gross profit of the Group amounted to approximately RMB280.7 million, representing a significant decrease of approximately 61.0% as compared with last year.
- Profit attributable to the owner of the parent was approximately RMB42.9 million, representing a decrease of approximately 82.3% as compared with last year.
- Basic earnings per share was approximately RMB0.02.
- The Board did not recommended the payment of final dividend for the year ended 31 December 2018.

FINAL RESULTS

The board (the "Board") of directors (the "Directors") of Xinming China Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2018, which was prepared in accordance to relevant requirements under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), together with represented comparative figures for the corresponding period in 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CONTINUING OPERATIONS			
REVENUE	4	**624,771**	1,888,193
Cost of sales		**(344,117)**	(1,168,338)
Gross profit		**280,654**	719,855
Other income and gains	4	**3,187**	163,308
Selling and distribution costs		**(44,023)**	(172,762)
Administrative expenses		**(87,372)**	(80,321)
Impairment losses on financial assets, net		**(8,359)**	–
Other expenses		**(37,068)**	(107,364)
Changes in fair value of investment properties		**67,785**	28,159
Changes in fair value of convertible bonds		**(39,897)**	–
Finance costs	5	**(6,856)**	(6,626)
PROFIT BEFORE TAX	6	**128,051**	544,249
Income tax expense	7	**(106,596)**	(317,441)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**21,455**	226,808
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		**–**	1,842
PROFIT FOR THE YEAR		**21,455**	228,650
ATTRIBUTABLE TO:			
Owners of the parent	9	**42,912**	242,278
Non-controlling interests		**(21,457)**	(13,628)
		21,455	228,650
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For profit for the year (RMB)		**0.02**	0.13
– For profit from continuing operations (RMB)		**0.02**	0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
PROFIT FOR THE PERIOD	**21,455**	228,650
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not to be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(1,245)**	–
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(1,245)**	–
TOTAL COMPREHENSIVE INCOME	**20,210**	228,650
ATTRIBUTABLE TO:		
Owners of the parent	**41,667**	242,278
Non-controlling interests	**(21,457)**	(13,628)
	20,210	228,650

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**2018 RMB'000**	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,852**	6,918
Equity investments designated at fair value through other comprehensive income		**–**	–
Available-for-sale investments		**–**	1,500
Investment properties	10	**3,125,600**	3,053,776
Deferred tax assets		**96,045**	82,659
Total non-current assets		**3,227,497**	3,144,853
CURRENT ASSETS			
Properties under development		**1,124,891**	1,031,980
Completed properties held for sale		**1,691,874**	1,693,261
Trade receivables	11	**3,318**	74,073
Prepayments and other receivables		**128,612**	121,401
Tax recoverable		**22,757**	30,366
Restricted deposits		**537,739**	2,402
Cash and cash equivalents		**35,515**	655,256
Total current assets		**3,544,706**	3,608,739
CURRENT LIABILITIES			
Trade payables	12	**235,365**	348,833
Other payables and accruals		**586,422**	556,865
Contract liabilities		**217,762**	–
Advances from customers		**–**	386,927
Due to other related parties		**5,877**	18,647
Interest-bearing bank loans and other borrowings	13	**1,266,230**	1,112,201
Provisions	14	**1,168**	1,098
Tax payable		**920,180**	882,069
Total current liabilities		**3,233,004**	3,306,640
NET CURRENT ASSETS		**311,702**	302,099
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,539,199**	3,446,952

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	13	**700,844**	941,850
Provisions	14	**–**	1,032
Financial liabilities at fair value through profit or loss		**284,913**	–
Other liabilities		**–**	4,446
Deferred tax liabilities		**462,286**	417,578
Total non-current liabilities		**1,448,043**	1,364,906
NET ASSETS		**2,091,156**	2,082,046
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**14,880**	14,880
Reserves		**1,985,989**	1,953,601
		2,000,869	1,968,481
Non-controlling interests		**90,287**	113,565
TOTAL EQUITY		**2,091,156**	2,082,046

1. CORPORATE AND GROUP INFORMATION

Xinming China Holdings Limited (the "Company") was incorporated in the Cayman Islands on 16 January 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered office address of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The principal activity of the Company is investment holding. The Group were mainly involved in property development and property leasing during the year. In the opinion of the directors of the Company, the ultimate holding company of the Company is Xinxing Company Limited. The ultimate controlling shareholder of the Group is Mr. Chen Chengshou (the "Controlling Shareholder").

The shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 July 2015.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"), International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments designated at fair value through other comprehensive income and financial liabilities at fair value through profit or loss measured at fair value. These financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for amendments to IFRS 4 and *Annual Improvements IFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

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

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

Classification and measurement

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

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

		IAS 39 measurement			IFRS 9 measurement		
	Notes	Category	Amount	re-classification	ECL	Amount	Category
			RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets							
Equity investments designated at fair value through other comprehensive income		N/A	–	1,500	(255)	1,245	FVOCI[1] (equity)
From: Available-for-sale investments	(i)			1,500	–		
Available-for-sale investments		AFS[2]	1,500	(1,500)	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	(i)			(1,500)	–		
Trade receivables	(ii)	L&R[3]	74,073	–	–	74,073	AC[4]
Financial assets included in prepayments and other receivables		L&R	85,451	–	(127)	85,324	AC
Restricted deposits		L&R	2,402	–	–	2,402	AC
Cash and cash equivalents		L&R	655,256	–	–	655,256	AC
			818,682	–	(382)	818,300	
Financial liabilities							
Trade payables		AC	348,833	–	–	348,833	AC
Financial liabilities included in other payables and accruals		AC	457,153	–	–	457,153	AC
Interest-bearing bank loans and other borrowings		AC	2,054,051	–	–	2,054,051	AC
Due to other related parties		AC	18,647	–	–	18,647	AC
Total liabilities			2,878,684	–	–	2,878,684	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The gross carrying amounts of the trade receivables and the contract assets under the column "IAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of IFRS 15 are included in note 2.2(c) to the financial statements.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9.

Recurring fair value measurement for:	Impairment allowances under IAS 39 at 31 December 2017	Re-measurement	ECL allowances under IFRS 9 at 1 January 2018
	RMB'000	RMB'000	RMB'000
Available-for-sale investments under IAS 39/ debt investments at fair value through other comprehensive income under IFRS 9	–	255	255
Trade receivables	20,934	–	20,934
Financial assets included in prepayments and other receivables	–	127	127
	20,934	382	21,316

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits RMB'000
Fair value reserve under IFRS 9 (available-for-sale investment revaluation reserve under IAS 39)	
Balance as at 31 December 2017 under IAS 39	–
Remeasurement of equity investments designated at fair value through other comprehensive income previously measured at cost under IAS 39	(255)
Balance as at 1 January 2018 under IFRS 9	(255)
Retained profits:	
Balance as at 31 December 2017 under IAS 39	1,434,636
Recognition of expected credit losses for financial assets included in prepayments and other receivables under IFRS 9	(127)
Balance as at 1 January 2018 under IFRS 9	1,434,509

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

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

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

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

	Notes	Increase/ (decrease) RMB'000
Assets		
Properties under development	(i)	12,249
Deferred tax assets	(iii)	3,573
Total assets		15,822
Liabilities		
Advances from customers	(i)	(386,927)
Contract liabilities	(i), (ii)	413,467
Total liabilities		26,540
Equity		
Retained profits	(i), (iii)	(8,897)
Non-controlling interests	(i), (iii)	(1,821)
		(10,718)

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

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

		Amounts prepared under		
	Notes	**IFRS 15 RMB'000**	**Previous IFRS RMB'000**	**Increase/ (decrease) RMB'000**
CONTINUING OPERATIONS				
Revenue	(i)	624,771	591,999	32,772
Cost of sales	(i)	(344,117)	(328,839)	(15,278)
Gross profit		280,654	263,160	17,494
Profit before tax fromcontinuing operations		128,051	117,278	10,773
Income tax credit	(ii)	(106,596)	(103,903)	(2,693)
Profit for the year from continuing operations		21,455	13,375	8,080
Profit for the year		21,455	13,375	8,080
Attributable to:				
Owners of the parent		42,912	35,843	7,069
Non-controlling interests		(21,457)	(22,468)	1,011
		21,455	13,375	8,080
Earnings per share attributable to ordinary equity holders of the parent				
Basic and diluted				
– For profit for the year		0.02	0.01	–
– For profit from continuing operations		0.02	0.01	–

		Amounts prepared under		
	Notes	IFRS 15 RMB'000	Previous IFRS RMB'000	Increase/ (decrease) RMB'000
Properties under development	(i)	1,124,891	1,120,940	3,951
Completed properties held for sale	(i)	1,691,874	1,688,118	3,756
Deferred tax assets	(iii)	96,045	95,165	880
Total assets		6,772,203	6,763,616	8,587
Advances from customers	(ii)	–	206,537	(206,537)
Contract liabilities	(i), (ii)	217,762	–	217,762
Total liabilities		4,681,047	4,669,822	11,225
Retained profits	(i), (iii)	1,468,524	1,470,352	(1,828)
Non-controlling interests	(i), (iii)	90,287	91,097	(810)
Total equity		2,091,156	2,093,794	(2,638)

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

(i) Financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service is more than one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component, if significant. Accordingly, the adoption of IFRS 15 resulted in the increase of properties under development of RMB12,249,000 and contract liabilities of RMB26,540,000 as at 1 January 2018, respectively, which resulted in a decrease in retained profits of RMB8,897,000 and a decrease in non-controlling interests of RMB1,821,000.

As at 31 December 2018, the adoption of IFRS 15 resulted in a increase in properties under development of RMB3,951,000 and a increase in contract liabilities of RMB11,225,000, respectively.

(ii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as advances from customers. Under IFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB386,927,000 from advances from customers to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB217,762,000 was reclassified from advances from customers to contract liabilities in relation to the consideration received from customers in advance for the sale of properties.

(iii) Other adjustments

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

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

(e) IFRIC-Int 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies 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 of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The amendments are not expected to have any significant impact on the Group’s financial statements.

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

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

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

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property leasing segment engages in leasing out properties for their rental income potential and/or for capital appreciation; and

(c) the others segment engages in investment holding.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations. The adjusted profit or loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, dividend income, fair value gains or losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

Year ended 31 December 2018

	Property development RMB'000	Property leasing RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	**567,220**	**57,551**	**–**	**624,771**
Revenue from continuing operations				**624,771**
Segment results:	**134,622**	**71,611**	**(78,182)**	**128,051**
Profit before tax from continuing operations				**128,051**
Segment assets	**6,304,222**	**1,747,527**	**4,037,958**	**12,089,707**
Reconciliation:				
Elimination of intersegment receivables				**(5,317,504)**
Total assets				**6,772,203**
Segment liabilities	**5,691,349**	**591,649**	**3,698,485**	**9,981,483**
Reconciliation:				
Elimination of intersegment payables				**(5,300,436)**
Total liabilities				**4,681,047**
Other segment information:				
Depreciation	**1,239**	**72**	**70**	**1,381**
Provision for impairment of completed properties held for sale	**1,662**	**–**	**–**	**1,662**
Provision for impairment of trade receivables	**1,114**	**932**	**–**	**2,046**
Realisation of onerous operating leases	**–**	**(1,098)**	**–**	**(1,098)**
Bank interest income	**(375)**	**(84)**	**(281)**	**(740)**
Finance costs	**6,720**	**136**	**–**	**6,856**
Fair value gain on investment properties	**–**	**(67,785)**	**–**	**(67,785)**
Fair value loss on financial liabilities at fair value through profit or loss	**39,897**	**–**	**–**	**39,897**
Capital expenditure	**302**	**4,039**	**70**	**4,411**

Year ended 31 December 2017

	Property development RMB'000	Property leasing RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	1,834,741	53,452	–	1,888,193
Revenue from continuing operations				1,888,193
Segment results:	515,075	53,858	(24,684)	544,249
Profit before tax from continuing operations				544,249
Segment assets	6,135,117	1,671,375	3,720,935	11,527,427
Reconciliation:				
Elimination of intersegment receivables				(4,773,835)
Total assets				6,753,592
Segment liabilities	5,728,569	578,916	3,127,981	9,435,466
Reconciliation:				
Elimination of intersegment payables				(4,763,920)
Total liabilities				4,671,546
Other segment information:				
Depreciation	2,427	79	41	2,547
Provision for impairment of properties under development	36,259	–	–	36,259
Provision for impairment of trade receivables	–	4,666	–	4,666
Realisation of onerous operating leases	–	(1,599)	–	(1,599)
Bank interest income	(554)	(38)	10	(582)
Finance costs	6,402	224	–	6,626
Fair value gain on investment properties	–	(28,159)	–	(28,159)
Capital expenditure	8	11	93	112

Geographical information

Since the Group solely operates business in the People's Republic of China ("PRC") and all of the non-current assets of the Group are located in the PRC, geographical segment information in accordance with IFRS 8 *Operating Segments* is not presented.

4. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of revenue is as follows:

	2018 **RMB'000**	2017 RMB'000
Revenue from contracts with customers	**567,220**	–
Sale of properties	**–**	1,834,741
Revenue from other sources		
Rental income	**57,551**	53,452
	624,771	1,888,193

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	**Property development** **RMB'000**
Type of goods	
Sale of properties	**567,220**
Geographical market	
Mainland China	**567,220**
Timing of revenue recognition	
Revenue from sale of properties at a point in time	**567,220**
Revenue from contracts with customers	
External customers	**567,220**

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

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	**231,667**

(ii) Performance obligations

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

Sale of properties

The performance obligation is satisfied upon the customers control properties.

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

	RMB'000
Within one year	**254,958**

(b) Other income and gains

	2018	2017
	RMB'000	RMB'000
Other income		
Bank interest income	**740**	582
Government grants	**172**	188
Exchange gain	**1,701**	–
Others	**574**	195
	3,187	965
Gains		
Gain on disposal of an investment property	**–**	90,336
Gain on disposal of a property under development	**–**	43,961
Gain on disposal of a subsidiary	**–**	28,046
	–	162,343
	3,187	163,308

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	RMB'000	RMB'000
Interest on interest-bearing bank loans and other borrowings	**225,558**	146,302
Interest expense arising from revenue contracts	**17,490**	–
Notional interest	**136**	224
Total interest expense on financial Liabilities not at fair value through profit or loss	**243,184**	146,526
Less: Interest capitalised	**(236,328)**	(139,900)
	6,856	6,626

6. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	RMB'000
Cost of properties sold	**325,593**	1,147,259
Cost of leasing properties	**18,524**	21,079
Depreciation	**1,381**	2,547
	345,498	1,170,885
Auditor's remuneration	**2,350**	2,350
Minimum lease payments under operating leases	**1,973**	1,481
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**30,601**	27,942
Pension scheme and social welfare	**10,178**	9,294
	45,102	41,067
Foreign exchange differences, net	**(1,071)**	932
Impairment of financial assets, net:		
Impairment of trade receivables, net (note 11)	**2,046**	4,666
Impairment of financial assets included in prepayments and other receivables, net	**6,313**	–
	7,288	5,598
Impairment of properties under development	**–**	36,259
Impairment of completed properties held for sale	**1,662**	–
Realisation of onerous operating leases	**(1,098)**	(1,599)
Changes in fair value of investment properties (note 10)	**(67,785)**	(28,159)
Changes in fair value of convertible bonds	**39,897**	–
Bank interest income	**(740)**	(582)
Gain on disposal of items of property, plant and equipment	**(349)**	(15)
Gain on disposal of an investment property	**–**	(90,336)
Gain on disposal of a property under development	**–**	(43,961)
Gain on disposal of a subsidiary	**–**	(28,046)

7. INCOME TAX

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

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law"). Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

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

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

The major components of income tax expense are as follows:

	2018	2017
	RMB'000	RMB'000
Current tax:		
Income tax in the PRC for the year	**6,284**	113,697
LAT	**65,417**	193,937
Deferred tax	**34,895**	9,807
Total tax charge for the year from continuing operations	**106,596**	317,441
Total tax charge for the year from a discontinued operation	**–**	–
	106,596	317,441

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

	2018	2017
	RMB'000	RMB'000
Profit before tax from continuing operations	**128,051**	544,249
Profit before tax from a discontinued operation	**–**	1,842
	128,051	546,091
Tax at the statutory tax rate	**33,498**	137,121
Expenses not deductible for tax	**2,752**	1,663
Tax losses utilised from previous periods	**(1,567)**	(461)
Tax losses and temporary differences not recognised	**22,850**	33,664
Subtotal	**57,533**	171,987
LAT provision for the year	**49,781**	72,172
Prepaid LAT for the year	**15,636**	121,765
Deferred tax effect of LAT provision	**(12,445)**	(18,042)
Tax effect of prepaid LAT	**(3,909)**	(30,441)
Tax charge at the Group's effective rate	**106,596**	317,441
Tax charge from continuing operations at the effective rate	**106,596**	317,441
Tax charge from a discontinued operation at the effective rate	**–**	–

For the year ended 31 December 2018, tax losses and temporary differences amounting to RMB97,382,000 (2017: RMB137,054,000) have not been recognised as deferred tax assets, as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

8. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation (2017: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,878,622,000 (2017: 1,878,622,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for years ended 2018 and 2017 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of the basic and diluted earnings per share are based on:

	2018	2017
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**42,912**	240,436
From a discontinued operation	**–**	1,842
Add: Fair value loss of the convertible bonds	**39,897**	–
	82,809*	242,278
Attributable to:		
Continuing operations	**82,809***	240,436
Discontinued operation	**–**	1,842
	82,809*	242,278

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,878,622,000**	1,878,622,000
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**126,294,569**	–
	2,004,916,569	1,878,622,000

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the profit for the year and the profit attributable to continuing operations of RMB42,912,000, and the weighted average number of ordinary shares of 1,878,622,000 in issue during the year.

10. INVESTMENT PROPERTIES

	Total
	RMB'000
At 1 January 2017	3,074,014
Disposals	(48,397)
Change in fair value of investment properties	28,159
At 31 December 2017	3,053,776
Additions	4,039
Change in fair value of investment properties	67,785
At 31 December 2018	3,125,600

The Group's investment properties consist of commercial properties completed in Mainland China. The fair value of the Group's investment properties was revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer.

As at 31 December 2018, the Group's investment properties with a value of RMB3,125,600,000 (2017: RMB2,112,900,000) were pledged to secure general interest-bearing bank loans and other borrowings granted to the Group.

Fair value hierarchy

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

	Fair value measurement as at 31 December 2018 and 31 December 2017 using			
Recurring fair value measurement for:	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018				
Commercial properties	–	–	3,125,600	3,125,600
31 December 2017				
Commercial properties	–	–	3,053,776	3,053,776

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

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

	Commercial properties RMB'000
Carrying amount at 1 January 2017	3,074,014
Disposal	(48,397)
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	28,159
Carrying amount at 31 December 2017	3,053,776
Additions	4,039
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	67,785
Carrying amount at 31 December 2018	3,125,600

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

Commercial properties	**Valuation techniques**	**Significant inputs unobservable**	**Range** (weighted average)
Year ended 31 December 2018	Income method	Market monthly rental rate (RMB/sq.m.)	2.80-5.90
		Term yield	4.50%-5.50%
		Reversionary yield	5.00%-6.00%
		Long term vacancy rate	3.00%-8.00%
Year ended 31 December 2017	Income method	Market monthly rental rate (RMB/sq.m.)	2.64-5.83
		Term yield	5.00%-5.50%
		Reversionary yield	5.00%-6.00%
		Long term vacancy rate	3.00%-8.00%

The investment properties completed or close to completion have been valued by using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flows in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

11. TRADE RECEIVABLES

	2018	2017
	RMB'000	RMB'000
Trade receivables	**26,298**	95,007
Impairment	**(22,980)**	(20,934)
	3,318	74,073

Trade receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable in advance in accordance with the terms of the related sales and purchase agreements. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, and net of loss allowance, is as follows:

	2018	2017
	RMB'000	RMB'000
Within 1 year	**3,318**	74,073

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

	2018	2017
	RMB'000	RMB'000
At beginning and end of year	**20,934**	16,268
Impairment loss, net	**2,046**	4,666
	22,980	20,934

IMPAIRMENT UNDER IFRS 9 FOR THE YEAR ENDED 31 DECEMBER 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). 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. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	87.38%	–	–	–	87.38%
Gross carrying amount (RMB'000)	26,298	–	–	–	26,298
Expected credit losses (RMB'000)	22,980	–	–	–	22,980

IMPAIRMENT UNDER IAS 39 FOR THE YEAR ENDED 31 DECEMBER 2017

Included in the above provision for impairment of trade receivables was a provision for the impaired trade receivables of RMB20,934,000 with a carrying amount before provision of RMB22,525,000.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	72,482
Past due within one year but not impaired	1,591
	74,073

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

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, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

12. TRADE PAYABLES

An aging analysis of the outstanding trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 **RMB'000**	2017 RMB'000
Less than one year	**125,515**	121,785
Over one year	**109,850**	227,048
	235,365	348,833

The trade payables are unsecured and non-interest-bearing.

13. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Other borrowings – secured	**–**	**–**	**–**	9.00	2018	220,000
Current portion of long term bank loans – secured	**–**	**–**	**–**	6.13	2018	40,000
Current portion of long term other borrowings – secured	**7.71-10.41**	**2019**	**1,266,230**	7.15-9.50	2018	852,201
			1,266,230			1,112,201
Non-current						
Bank loans – secured	**–**	**–**	**–**	6.13	2022	130,000
Other borrowings – secured	**12.18**	**2021**	**700,844**	6.80-8.00	2019	811,850
			700,844			941,850
			1,967,074			2,054,051
Analysed into:						
Bank loans repayable:						
Repayable within one year			**–**			40,000
Repayable in the second year			**–**			30,000
Repayable in the third to fifth years			**–**			100,000
			–			170,000
Other borrowings repayable:						
Repayable within one year			**1,266,230**			1,072,201
Repayable in the second year			**40,000**			811,850
Repayable in the third to fifth years			**660,844**			–
			1,967,074			1,884,051
			1,967,074			2,054,051

The Group’s interest-bearing bank loans and other borrowings are secured by the pledges of the following assets with carrying values at 31 December 2018 and 2017 as follows:

		2018	2017
		RMB’000	RMB’000
Equity interests in subsidiaries	(i)	**439,715**	397,938
Investment properties	(ii)	**3,125,600**	2,112,900
Completed properties held for sale	(iii)	**627,422**	571,939
Properties under development	(iv)	**709,131**	811,735

(i) The Group’s other borrowings of RMB500,000,000 (2017: RMB500,000,000) were secured by the 100% equity interest in Taizhou Wenshang Times Property Limited (“Wenshang Times”), a subsidiary of the Company.

(ii) None of the Group’s interest-bearing bank loans (2017: RMB170,000,000) were secured by investment properties of Taizhou Xinming Property Investment Limited (“Taizhou Investment”), a subsidiary of the Company.

The Group’s other borrowings of RMB500,000,000, RMB495,000,000, RMB412,973,000 and RMB313,257,000 (2017: RMB500,000,000, nil, nil and RMB346,500,000) were secured by investment properties of Wenshang Times, Taizhou Investment, Shanghai Xinming Global Property Limited (“Shanghai Xinming”) and Chongqing Xinming Property Company Limited (“Chongqing Xinming”), subsidiaries of the Company, respectively.

(iii) The Group’s other borrowings of RMB313,257,000 and RMB245,844,000, (2017: RMB346,500,000 and RMB403,759,000) were secured by completed properties held for sale of Chongqing Xinming and Hangzhou Xinming Property Investment Limited (“Hangzhou Xinming”), subsidiaries of the Company, respectively.

(iv) The Group’s other borrowings of RMB313,257,000 (2017: RMB346,500,000) were secured by properties under development of Chongqing Xinming, a subsidiary of the Company.

None of the Group’s other borrowings of (2017: RMB220,000,000) were secured by properties under development of Shandong Xingmeng Property Limited (“Shandong Xingmeng”), a subsidiary of the Company.

(v) The Group’s interest-bearing bank loans and other borrowings of RMB1,967,074,000 were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin and (iii) Xinming Group Limited, a related party of the Group (2017: RMB2,054,051,000, jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group and (iv) Mr. Fan Guangpei, the non-controlling shareholder of Shandong Xingmeng, a subsidiary of the Company).

14. PROVISIONS

Onerous operating leases:

	2018	2017
	RMB'000	RMB'000
At 1 January	**2,130**	3,505
Realisation	**(1,098)**	(1,599)
Increase in discounted amounts arising from the passage of time	**136**	224
At 31 December	**1,168**	2,130
Analysed into:		
Current	**1,168**	1,098
Non-current	**–**	1,032

Onerous contract provision

The Group has sold certain of the commercial properties at market prices, and then leases back from the owners for the purpose of leasing them out to third party tenants. Pursuant to the payment terms of these contracts from 1 July 2014 to 30 June 2019, the unavoidable costs of meeting the obligations have exceeded the economic benefits expected to be received. A provision has been made for these onerous contracts based on the estimated minimum net cost of exiting from the contracts as at 31 December 2018 and 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (including financial review)

INDUSTRY REVIEW AND OPERATION MANAGEMENT

In 2018, China experienced the lowest GDP growth rate in 28 years, posting a year-on-year increase of only 6.6%. With regard to the Chinese real estate market, data published by the National Bureau of Statistics demonstrates that in 2018, nationwide housing sales increased 12.2% year-on-year to RMB15 trillion. Total floor area sold rose 1.3% year-on-year to 1,717 million sq.m.. As compared to the same period of last year, the respective growth rate slowed down substantially. The gross flow area ("GFA") held for sale of commercial housing continued to diminish, and property inventory dropped to a 57-month low.

During the Year under Review, transactions of commercial residential buildings are expected to increase slightly as compared to last year. The urban real estate market has also undergone notable changes, especially when different regulations were gradually implemented by the PRC government, which made the market segmentation between first-, second-, third-and fourth-tier cities more prominent. The Shanghai Project of the Group was affected by Shanghai's property management policy launched by the Shanghai government during the Year under Review; in particular, sales contracts for retail shops may not be registered until the reopening of the network signing system for housing (房產網簽系統) in October. As a result, the Shanghai Project was unable to deliver substantial revenue during the Year under Review. An analysis of the transactions showed that third-and fourth-tier cities were still the major market for commercial residential buildings, accounting for 69% of the market; the transaction scale of first-and second-tier cities continued to decrease year-on-year. Judging by the development trend during the Year under Review, the transaction volume experienced an initial rise before pulling back. With the effective regulations on destocking, the property inventory was close to historical low.

Despite the lack of positive market sentiment, Xinming China believes the market is only experiencing a temporary structural correction; the potential purchasing power and repeat purchase rates of the property market are still substantial. As a result, the Group is still actively looking for real estate projects with high return and trying to alter some of the lands originally intended for commercial use into residential use, with the intention of increasing profits and catering to the society's demand for housing. The Group has been applying for preliminary review for some of the commercial land in the Chongqing Project and the Shandong Project from the local government during the Year under Review with the aim of changing the land to residential use. The sale of residential properties will attract people in that area and lead to a boost in value of the commercial lands surrounding the projects; and an increase in the value of the surrounding commercial lands will increase the values of the residential properties of the projects as well. The Group expects that the Chongqing Project and Shandong Project will complete the land planning review in the first half of 2019, and will be ready for pre-sale in the second half of the year.

In the meantime, the development concepts of industrial real estate have put increasing emphasis on issues in relation to the ecosystem, childcare, environmental protection, smart city, and infuse city lifestyle into office areas; all of which will be the core values of industrial real estate. Xinming China will continue to develop the child-centric real estate in response to the market's expectation. Apart from off-line projects, the Group will continue to develop an online platform and to promote a comprehensive network platform with a MBC theme, which enables mutual interaction between online and off-line operations, and enhances customer loyalty, so as to maximise the marketing return of investment.

BUSINESS REVIEW

During the year ended 31 December 2018 (the "Year under Review"), the Group recorded a total revenue of approximately RMB624.8 million, representing a significant decrease of approximately RMB1,263.4 million or approximately 66.9% from approximately RMB1,888.2 million of 2017. The delivered sales and GFA sold were approximately RMB567.2 million and 74,635.0 sq.m., representing a decrease of approximately RMB1,267.5 million or approximately 69.1% as compared to approximately RMB1,834.7 million and approximately 101,824.5 sq.m., respectively of 2017. The average selling price for sales was RMB7,599.7 per sq.m., representing a decrease of approximately 57.8% year-on-year, which was mainly because the proportion of sales from Hangzhou Xinming of 2018 is lower than that of 2017.

Profit attributable to the shareholders of the Company amounted to approximately RMB42.9 million, representing a significant decrease of approximately RMB199.4 million from a profit of approximately RMB242.3 million in 2017. Earnings per share were approximately RMB0.02 (2017: approximately RMB0.13).

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

As at 31 December 2018, total assets of the Group amounted to approximately RMB6,772.2 million (31 December 2017: approximately RMB6,753.6 million); total liabilities were approximately RMB4,681.0 million (31 December 2017: approximately RMB4,671.6 million); total equity was approximately RMB2,091.2 million (31 December 2017: approximately RMB2,082.0 million); and net assets per share were approximately RMB 1.11 (31 December 2017: approximately RMB1.11).

Property Development

As at 31 December 2018, the Group's property portfolio consisted of 16 property development projects with an aggregate GFA of approximately 2,237,826 sq.m. under various stages of development in various cities in the PRC.

Property Sales

During the Year under Review, the Group recorded property sales of approximately RMB567.2 million, representing a decrease of approximately RMB1,267.5 million or approximately 69.1% as compared to approximately RMB1,834.7 million in 2017. Total GFA delivered during the Year under Review was approximately 74,635.0 sq.m., representing a decrease of approximately 26.7% as compared to 2017. Property sales remained the largest revenue source to the Group, representing approximately 90.8% of its total revenue. Property sales decreased during the Year under Review, mainly due to the completed construction and the completion of property transfer and delivery procedures of the majority of the properties in the Hangzhou Xinming • Children's World project before December 2017. In 2018, only the remaining properties completed the property delivery procedures; the property sales decreased significantly by 69.1% as compared with last year.

The following table summarizes the property projects of the Group sold during the Year under Review:

Projects	**Location**	**Sale GFA** (sq.m.)	**Income** (RMB million)	**Average selling price** (RMB/sq.m)
Taizhou Xinming Peninsular				
Phase 1	Taizhou	1,106,0	3.3	2,983.3
Phase 2 — Stage 2	Taizhou	107.7	0.2	1,584.0
Xinming Lijiang Garden	Taizhou	1,642.5	10.6	6,473.4
Wenshang Times • Xinming Apartment	Taizhou	20,121.0	13.4	667.4
Shanghai Xinming Children's World	Shanghai	1,760.3	52.7	29,949.4
Hangzhou Xinming • Children's World	Hangzhou	13,056.0	308.4	23,620.5
Chongqing Xinming • China South-western City Phase 1	Chongqing	36,619.5	177.8	4,854.4
Xingmeng International Commercial City	Tengzhou	222.0	0.8	3,656.1
Total		74,635.0	567.2	7,599.7

Property Leasing

The Group carries out property leasing business through leasing our commercial properties held for investment and leasing the sold commercial properties leased back from third parties by the Group. As at 31 December 2018, the actual area leased out was approximately 170,327.6 sq.m., representing approximately 84% of the Group's total investment properties held-for-lease and the sold commercial properties leased back from third parties purchasers.

During the Year under Review, the rental income was approximately RMB57.6 million, representing an increase of approximately 7.7% as compared to approximately RMB53.5 million in 2017, mainly because of the increase in rentable area of the Chongqing Xinming EasyHome project and Wenshang Times • Xinming Apartment (Area B).

Land Reserves

As at 31 December 2018, the Group's property portfolio consisted of 16 property development projects located in a number of cities throughout China. These projects was at various stages of development, with total GFA amounted to approximately 1,022,396 sq.m., of which approximately 487,016 sq.m. was completed, approximately 55,145 sq.m. was under development, and approximately 480,235 sq.m. was held for future development.

The following table summarises the Group's land reserve by geographical location as at 31 December 2018:

Location	Saleable GFA remaining unsold/ GFA held for investment (sq.m.)	GFA under development (sq.m.)	Planned GFA for future development (sq.m.)	Total land reserve (sq.m.)	Proportion to the total land reserve (%)
Taizhou	202,046	–	–	202,046	20%
Shanghai	99,213	–	–	99,213	10%
Chongqing	91,134	25,516	301,155	417,805	41%
Tengzhou	56,145	29,629	179,080	264,854	26%
Hangzhou	38,478	–	–	38,478	3%
Total	487,016	55,145	480,235	1,022,396	100.0%

PROSPECTS

Looking forward to 2019, China's economic growth is expected to experience a slowdown, and the macro-economic policy will stay accommodative. With the implementation of "One Policy for One City", the price of residential land in terms of transacted floor area will stabilise. As the non-market oriented regulations on first- and second-tier cities are fading out, the transaction volumes and prices in first-and second-tier cities and major third-and fourth-tier cities are expected to recover, despite the continuous increase in land supply and residential land in third-and fourth-tier cities. At the same time, as the general public in China put increasing emphasis on the functionality and quality of industrial real estate, Xinming China will continue to develop quality MBC-themed real estate with determination to meet the market's expectation.

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from property sales and property leasing services, which contributed approximately 90.8% and 9.2%, respectively, to the total revenue (during the Year under Review approximately RMB624.8 million). Property sales remained the major revenue source of the Group, which recorded a decrease of approximately RMB1,263.4 million as compared to approximately RMB1,888.2 million for the same period of last year. Property sales decreased mainly due to the completion of construction and the majority of property delivery procedures of Hangzhou Xinming • Children's World project before the end of December 2017.

Cost of sales

During the Year under Review, the Group's cost of sales was approximately RMB344.1 million, representing a year-on-year decrease of approximately RMB824.2 million or approximately 70.5%. The decrease was primarily attributable to the decrease in the total GFA of properties delivered during the Year under Review as compared with last year, which led to the respective decrease in the cost of sales.

Gross profit

During the Year under Review, the gross profit amounted to approximately RMB280.7 million, representing a decrease of approximately RMB439.2 million or 61.0% as compared to approximately RMB719.9 million in the last year. The gross profit margin was approximately 44.9%, representing an increase of approximately 6.8% as compared to approximately 38.1% in the last year. The increase in gross profit margin was mainly because the adjustment of the internal structure of the Taizhou Xinming Peninsular, Xinming Lijiang Garden and Wenshang Times projects due to excessive provisions for construction costs has recovered approximately RMB59.3 million, which led to a decrease in cost of sales and an increase in gross profit margin.

Other income and gains

Other income and gains during the Year under Review amounted to approximately RMB3.2 million, decreased by approximately RMB160.1 million or 98.0% as compared to approximately RMB163.3 million in the last year, which was mainly due to the gain on disposal of the equity interests, investment properties and land of the wholly-owned subsidiary of the Company in the last year.

Selling and administrative expenses

During the Year under Review, the selling and administrative expenses amounted to approximately RMB131.4 million, representing a decrease of approximately RMB121.7 million or approximately 48.1% as compared to approximately RMB253.1 million in the last year, mainly due to a substantial decrease in property sold during the period which led to a decrease in sales commission and marketing costs of RMB127.3 million. On the contrary, administrative expense increased by approximately RMB7.1 million as compared to last year, mainly because of the increase in staff costs.

Other expenses

Other expenses during the Year under Review was approximately RMB37.1 million, representing a substantial decrease of approximately RMB70.3 million or 65.5% as compared to approximately RMB107.4 million in the last year which was mainly because the provision of impairment for the property held for sale was approximately RMB1.7 million representing a decrease of approximately RMB34.6 million compared to approximately RMB36.3 million last year. Meanwhile, the penalty for the sales contracts with customers in 2018 was decreased by approximately RMB30.9 million as compared to approximately RMB64.2 million last year.

Change in fair value of investment properties

During the Year under Review, the gain on change in fair value of investment properties amounted to approximately RMB67.8 million, representing an increase of approximately RMB39.6 million or 140.4% compared to the gain on change in fair value of investment properties of approximately RMB28.2 million for the last year, mainly due to the increase in fair value gains of the investment property Taizhou Wenshang • Times.

Finance costs

During the Year under Review, the net interest costs amounted to approximately RMB6.9 million, representing an increase of approximately RMB0.3 million as compared to approximately RMB6.6 million of last year.

Operating profit

During the Year under Review, the operating profit amounted to approximately RMB128.1 million, representing a decrease of approximately RMB416.1 million or approximately 76.5% as compared to approximately RMB544.2 million in the last year. The decrease was mainly due to the decrease in the revenue from property sales.

Income tax expenses

During the Year under Review, the income tax expenses amounted to approximately RMB106.6 million, representing a significant decrease of approximately RMB210.8 million or approximately 66.4% as compared to approximately RMB317.4 million in the last year, mainly due to the decrease in income tax and land appreciation tax of RMB235.9 million. On the contrary, the change of deferred tax was increased by approximately RMB25.1 million.

Profit attributable to the shareholders

During the Year under Review, the profit attributable to the shareholders amounted to approximately RMB42.9 million, representing a significant decrease of approximately RMB199.4 million or approximately 82.3% as compared to RMB242.3 million in the corresponding period of last year. The basic earnings per share amounted to approximately RMB0.02 per share, as compared to the basic earnings per share of approximately RMB0.13 per share of last year.

Cash flows

As at 31 December 2018, cash and bank deposits of the Group, including restricted cash, were approximately RMB573.3 million in aggregate (31 December 2017: approximately RMB657.7 million), representing a decrease of approximately RMB84.4 million or 12.8% mainly due to repayment of bank loan. As at 31 December 2018, an aggregate amount of bank deposits approximately RMB535,400,000 was pledged to "浙江木子貿易有限公司". The pledged bank deposits was released on 2 January 2019. For details, please refer to the announcement of the Company dated 22 March 2019 on the website of the Stock Exchange.

Pursuant to the exclusive management and operation agreement entered into between the Company's certain commercial properties with third party purchasers, the Company is required to pay certain percentages of the selling price of the property to the purchasers regardless whether such properties leased by the Company or were for generating rental income purpose. Based on the terms of the existing exclusive management and operation agreements and lease agreements as at 31 December 2018 and for the exclusive management and operation agreement entered into by the Company, in the period from 1 January 2019 to 1 July 2019, The Group would have a maximum net cash outflow of approximately RMB22 million for year 2019, respectively. We are not obliged to pay any agreed fees for the period from 1 July 2019 to 30 June 2024 under the exclusive management and operation agreements which we had entered into as at 31 December 2015.

Borrowings

As at 31 December 2018, the total bank loans and other borrowings of the Group were approximately RMB1,967.1 million, representing a decrease of approximately RMB87.0 million as compared to approximately RMB2,054.1 million as at 31 December 2017.

The borrowings repayable within one year of the Group was approximately RMB1,266.2 million, representing an increase of approximately RMB154.0 million as compared to approximately RMB1,112.2 million as at 31 December 2017. Borrowings repayable after one year was approximately RMB700.9 million, representing a decrease of approximately RMB241.0 million as compared to approximately RMB941.9 million as at 31 December 2017.

Trade receivables, prepayments, deposits and other receivables

As at 31 December 2018, the sum of trade receivables, prepayments and other receivables of the Group were approximately RMB131.9 million, representing a decrease of approximately RMB63.6 million as compared to approximately RMB195.5 million as at 31 December 2017, mainly due to the decrease in trade receivables due to the active debt settlement.

Trade payables, contract liabilities, advances from customers and other payables

As at 31 December 2018, the sum of total trade payables, contract liabilities, advances from customers and other payables of the Group was approximately RMB1,039.5 million, representing a decrease of approximately RMB253.1 million as compared to approximately RMB1,292.6 million as at 31 December 2017. The decrease was mainly due to the large amount of trade payables being settled and the contract liabilities/(advances from customers) being recognised as amount revenue.

Assets and liabilities

As at 31 December 2018, the total assets of the Group were approximately RMB6,772.2 million, representing an increase of approximately RMB18.6 million as compared to approximately RMB6,753.6 million as at 31 December 2017. The total current assets were approximately RMB3,544.7 million, representing approximately 52.3% (31 December 2017: approximately 53.4%) of the total assets, decreased by approximately RMB64.0 million as compared to approximately RMB3,608.7 million as at 31 December 2017. However, the total non-current assets were approximately RMB3,227.5 million, representing approximately 47.7% (31 December 2017: approximately 46.6%) of the total assets, increased by approximately RMB82.6 million as compared to approximately RMB3,144.9 million as at 31 December 2017.

As at 31 December 2018, the total liabilities of the Group were approximately RMB4,681.0 million, representing an increase of approximately RMB9.5 million as compared to approximately RMB4,671.5 million as at 31 December 2017. The total current liabilities were approximately RMB3,233.0 million, representing approximately 69.1% (31 December 2017: approximately 70.8%) of the total liabilities, decreased by approximately RMB73.6 million as compared to approximately RMB3,306.6 million as at 31 December 2017. However, the total non-current liabilities were approximately RMB1,448.0 million, representing approximately 30.9% (31 December 2017: approximately 29.2%) of the total liabilities, increased by approximately RMB83.1 million as compared to approximately RMB1,364.9 million as at 31 December 2017.

As at 31 December 2018, the net current assets of the Group were approximately RMB311.7 million, representing an increase of approximately RMB9.6 million as compared to approximately RMB302.1million as at 31 December 2017.

Current ratio

As at 31 December 2018, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 1.1: 1 (31 December 2017: 1.09:1).

Gearing ratio

As at 31 December 2018, the gearing ratio of the Group which is net debt divided by total equity plus net debt. The Group's net debt consists of interest-bearing bank loans and other borrowings, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratio was 48.0% (31 December 2017: 40.2%).

Convertible bonds

Pursuant to the general mandate, on 1 June 2018, the Group issued convertible bonds in amount of HK$300 million for a term of two years. The bonds bear interest at a rate of 6.5% plus 1% handling fee per annum, and the interest is payable in arrears every half year. The bonds can be converted into shares at the conversion price of HK$1.39 per conversion share at any time on and after the issue date and up to the close of business on the business day immediately preceding the maturity date. For details, please refer to the Company's announcement dated 15 May 2018.

The convertible bonds are guaranteed by the Controlling Shareholder, Mr. Chen Chengshou and the non-executive director, Ms. Gao Qiaoqing, pursuant to a deed of guarantee, and secured by Xinxing Company Limited by 940,000,000 shares of the Company held by Xinxing Company Limited, a company controlled by Mr. Chen Chengshou.

Mr. Chen has undertaken to, for so long as any convertible bonds remains outstanding, directly or indirectly hold 50% of the entire issued share capital of the Company, and shall not directly or indirectly sell, transfer or otherwise dispose of his equity interests in the Company or any part thereof in the absence of prior written consent of the subscriber of the convertible bonds.

Significant investments

During the Year under Review, the Group has no significant investment.

Material acquisitions and disposals of subsidiaries and affiliated companies

There was no other material acquisition or disposal of subsidiaries and affiliated companies made by the Group during the Year under Review.

Guarantees on mortgage facilities

As at 31 December 2018, the Group provided guarantees over the mortgage loans of certain purchasers of approximately RMB28.0 million (31 December 2017: approximately RMB19.1 million).

Assets guarantees

As at 31 December 2018, the Group has pledged and restricted deposits in the bank deposits of RMB537.7 million (31 December 2017: RMB2.4 million). In addition, partial bank borrowings of the Group were secured by the Group's certain properties under development, completed properties held for sale, investment properties and the equity interest in certain subsidiaries of the Group, and jointly guaranteed by the controlling shareholder of the Group, Mr. Chen Chengshou ("Mr. Chen"), the non-executive Director, Ms. Gao Qiaoqin, the Group's related company, Xinming Group Limited, and other minority shareholders of certain subsidiaries of the Group free of charge.

Capital expenditure

During the Year under Review, the Group's total capital expenditure was approximately RMB4.4 million, mainly included construction facilities expenses (31 December 2018: approximately RMB0.1 million).

Capital commitments

As at 31 December 2018, the capital commitments related to activities of properties under development was approximately RMB27.1 million (31 December 2017: approximately RMB37.6 million).

Exposure to exchange rate fluctuations

The Group operates mainly in Renminbi, and certain bank deposits of the Group are dominated in Hong Kong dollars. The Group was not exposed to any material exchange rate fluctuations risk and did not enter into foreign currency hedging policies. However, the Group will monitor closely the foreign exchange risk and may, as the case maybe and depending on the trend of foreign currencies, consider to apply significant foreign currency hedging policies in the future.

Employees and remuneration policy

As at 31 December 2018, the Group has a total of 170 employees (31 December 2017: total 222 employees). The major reason of the decrease is that the completion of the Hangzhou Project and Taizhou Project results in workforce downsizing. The Group continued to promote the upgrading of talents, cultivating and recruiting excellent talents with sales and management experience, improving the allocation system of remuneration linked to performance and maintaining harmonious labor relations. The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. Moreover, the Group has also adopted a share option scheme and a share award scheme.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Year under Review.

MATERIAL EVENT AFTER THE REPORTING PERIOD

There is no other material events after the reporting period.

CORPORATE GOVERNANCE

The Board is of opinion that the Company had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules since the Listing Date.

Upon review of the corporate governance practice of the Company, the Board believes that the Company has applied the principles in the CG Code and complied with the code provisions of the CG Code during the Year under Review. None of the Directors was aware of any information that would reasonably indicate that the Company was during the Year under Review incompliant with the code provisions of the CG Code, except for the deviation as follows:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chen is the chairman and the chief executive officer of the Company ("CEO"). The Group therefore does not separate the roles of the chairman and the CEO. The Board considered that Mr. Chen had in-depth knowledge and experience in the property investment and development industry and was the most appropriate person to manage the Group. Vesting the roles of both chairman and CEO in Mr. Chen has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and CEO of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct of dealings in securities of the Company by the Directors. Upon specific enquiries of all the Directors, each of them has confirmed that they complied with the required standards set out in the Model Code during the Year under Review.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the "Audit Committee") consists of three independent nonexecutive Directors, namely Mr. Lo Wa Kei, Roy (being the chairman of the Audit Committee), Mr. Gu Jiong and Mr. Fong Wo, Felix. The Company's condensed consolidated annual results and financial report for the Year under Review have been reviewed by the Audit Committee.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year under Review as set out in this announcement have been agreed by the Group's auditor, Ernst & Young to the amounts set out in the Group's audited consolidated financial statements for the Year under Review.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.xinm.com.cn. The 2018 annual report will be dispatched to shareholders in due course and will be available on the above websites in due course.

By order of the Board
Xinming China Holdings Limited
Chen Chengshou
Chairman and Chief Executive Officer

Hangzhou, PRC
27 March 2019

As at the date of this announcement, the executive Directors are Mr. Chen Chengshou and Mr. Feng Cizhao; the non-executive Director is Ms. Gao Qiaoqin; and the independent non-executive Directors are Mr. Fong Wo, Felix, Mr. Gu Jiong and Mr. Lo Wa Kei, Roy.