JIANDE INTERNATIONAL HOLDINGS LIMITED
建德國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 865)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Jiande International Holdings Limited (the "**Company**") is pleased to present the results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 together with the comparative figures for the previous year which are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*5*	**159,959**	355,869
Cost of sales		**(111,795)**	(294,767)
Gross profit		**48,164**	61,102
Other income		**4,862**	3,257
Other losses		**(44)**	(498)
Impairment losses, net of reversal		**–**	(2,471)
Fair value change of investment properties	*9*	**751**	13,210
Selling expenses		**(4,720)**	(8,433)
Administrative expenses		**(15,909)**	(17,742)
Finance costs		**–**	(1,435)
Profit before tax		**33,104**	46,990
Income tax expense	*6*	**(21,873)**	(24,818)
Profit and total comprehensive income for the year	*7*	**11,231**	22,172
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**10,954**	21,695
Non-controlling interests		**277**	477
		11,231	22,172
		RMB	*RMB*
Earnings per share	*8*		
— Basic		**0.19 cents**	0.37 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	NOTES	**2018** **RMB'000**	2017 *RMB'000*
NON-CURRENT ASSETS			
Plant and equipment		**411**	502
Investment properties	*9*	**109,580**	112,827
Deferred tax assets	*16*	**11,312**	5,660
Time deposits		**60,000**	70,000
		181,303	188,989
CURRENT ASSETS			
Properties held for sale	*10*	**690,043**	675,952
Trade and other receivables	*11*	**59,363**	39,369
Contract costs	*12*	**2,712**	–
Prepaid land appreciation tax		**21,337**	13,437
Restricted bank deposits		**135,841**	38,348
Bank balances and cash		**135,122**	80,851
		1,044,418	847,957
Assets classified as held for sale	*13*	**521**	774
		1,044,939	848,731
CURRENT LIABILITIES			
Trade payables		**16,478**	3,304
Other payables and accruals		**84,393**	107,744
Pre-sales proceeds received on sales of properties	*14*	**–**	242,733
Pre-sales proceeds received on sales of investment properties	*13*	**535**	260
Contract liabilities	*15*	**447,677**	–
Amount due to a related party	*17*	**2,283**	–
Income tax and land appreciation tax payable		**16,488**	33,228
		567,854	387,269
NET CURRENT ASSETS		**477,085**	461,462
TOTAL ASSETS LESS CURRENT LIABILITIES		**658,388**	650,451
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*16*	**19,400**	22,358
NET ASSETS		**638,988**	628,093
CAPITAL AND RESERVES			
Share capital	*18*	**25,451**	25,451
Reserves		**603,486**	592,868
Equity attributable to owners of the Company		**628,937**	618,319
Non-controlling interests		**10,051**	9,774
TOTAL EQUITY		**638,988**	628,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Jiande International Holdings Limited (the "**Company**") was incorporated in Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange. Fame Build Holdings Limited and Talent Connect Investments Limited, companies incorporated in the British Virgin Islands with limited liabilities which are wholly owned by Mr. Shie Tak Chung ("**Mr. Shie**") and Mr. Tsoi Kin Sze ("**Mr. Tsoi**"), respectively were collectively the immediate and ultimate holding companies of the Company pursuant to a deed of confirmation dated 23 October 2014 executed by Mr. Shie and Mr. Tsoi whereby they confirmed the existence of their acting in concert arrangement, which resulted in Mr. Shie, Mr. Tsoi, Fame Build Holdings Limited and Talent Connect Investments Limited collectively becoming the controlling shareholders of the Company. The address of the registered office and principal place of business of the Company is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and Room 1910, Fortress Tower, 250 King's Road, Hong Kong, respectively. The principal activities of the Company is investment holding and its subsidiaries (collectively referred as the "**Group**") are principally engaged in property development in the PRC.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from sale of properties. The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on accumulated losses at 1 January 2018.

	RMB'000
Accumulated losses	
Recognition of contract costs regarding commission expenses to intermediaries/employees	895
Tax effects	(224)
Impact at 1 January 2018	671

The following adjustments were made to the amounts recognised in the consolidated statement of financial statement at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 *RMB'000*	Reclassification *RMB'000*	Remeasurement *RMB'000*	Carrying amounts under HKFRS 15 at 1 January 2018* *RMB'000*
CURRENT ASSETS					
Properties held-for-sale	*(c)*	675,952	–	1,401	677,353
Contract costs	*(a)*	–	–	895	895
CURRENT LIABILITIES					
Pre-sales proceeds received on sales of properties	*(b)*	242,733	(242,733)	–	–
Contract liabilities	*(b),(c)*	–	242,733	1,401	244,134
NON-CURRENT LIABILITIES					
Deferred tax liabilities	*(a)*	22,358	–	224	22,582
CAPITAL AND RESERVES					
Reserves	*(a)*	592,868	–	671	593,539

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

(a) Prior application of HKFRS 15 the Group recognised incremental commission expenses to intermediaries/employees in connection with obtaining sales of properties contracts with customers. These amounts were expensed as incurred. At the date of initial application of HKFRS 15, incremental costs of obtaining contracts of RMB895,000 and the related deferred tax liabilities of RMB224,000 were recognised with corresponding adjustments to accumulated losses upon application of HKFRS 15.

(b) As at 1 January 2018, pre-sales proceeds received on sales of properties of RMB242,733,000 were reclassified to contract liabilities upon application of HKFRS 15.

(c) Certain property sales contracts of the Group contain significant financing component after taking into account the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transferring the property to the customers and the customers paying for the property and the prevailing interest rates in the relevant market. The Group recognised the interest expense only to the extent that a contract liability (pre-sales proceeds received on sales of properties) is recognised in accounting for the contract with the customer and adjusted the promised amount of consideration by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. At the date of initial application, finance costs eligible for capitalisation amounting to RMB1,401,000 have been adjusted to the properties held-for-sale, with corresponding adjustment credited to contract liabilities upon application of HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018, its consolidated statement of profit or loss and other comprehensive income and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Notes	**As reported** *RMB'000*	**Adjustments** *RMB'000*	**Amounts without application of HKFRS 15** *RMB'000*
CURRENT ASSETS				
Properties held for sale	*(b)*	690,043	(9,913)	680,130
Contract costs	*(a)*	2,712	(2,712)	–
CURRENT LIABILITIES				
Contract liabilities	*(b)*	447,677	(9,913)	437,764
NON-CURRENT LIABILITIES				
Deferred tax liabilities	*(a)*	19,400	(678)	18,722
CAPITAL AND RESERVES				
Reserves	*(a)*	603,486	(2,034)	601,452

Impact on the consolidated statement of profit and loss and other comprehensive income

	Notes	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
Revenue	*(b)*	159,959	(4,340)	155,619
Cost of sales	*(b)*	(111,795)	4,340	(107,455)
Selling expenses	*(a)*	(4,720)	(1,817)	(6,537)
Profit before tax	*(a)*	33,104	(1,817)	31,287
Income tax expense	*(a)*	(21,873)	454	(21,419)
Profit and total comprehensive income for the year	*(a)*	11,231	(1,363)	9,868

Impact on the consolidated statement of cash flows

	Notes	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
Profit before tax	*(a)*	33,104	(1,817)	31,287
Operating cash flows before movements in working capital	*(a)*	28,507	(1,817)	26,690
Increase in contract costs	*(a)*	(1,817)	1,817	–
Increase in contract liabilities	*(c)*	203,543	(203,543)	–
Increase in pre-sales proceeds received on sales of properties	*(c)*	–	203,543	203,543

Notes:

(a) Prior application of HKFRS 15, the Group recognised incremental commission expenses to intermediaries/employees in connection with obtaining sales of properties contracts with customers. These amounts were previously expensed as incurred. As at 31 December 2018, incremental costs of obtaining contracts of RMB2,712,000 and the related deferred tax liabilities of RMB678,000 were recognised in the consolidated statement of financial position, selling expenses of RMB1,817,000 were credited and income tax expense of RMB454,000 were recognised in the consolidated statement of profit and loss and other comprehensive income with corresponding cash flows impact recognised to the consolidated statement of cash flows upon application of HKFRS 15.

(b) Certain property sales contracts of the Group contain significant financing component after taking into account the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transferring the property to the customers and the customers paying for the property and the prevailing interest rates in the relevant market. The Group recognised the interest expense only to the extent that a contract liability (pre-sales proceeds received on sales of properties) is recognised in accounting for the contract with the customer and adjusted the promised amount of consideration by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. As at 31 December 2018, finance costs eligible for capitalisation amounting to RMB9,913,000 have been adjusted to the properties held for sale and credited to contract liabilities in the consolidated statement of financial position, while the revenue of RMB4,340,000 were credited with corresponding adjustment recognised to cost of sales in the consolidated statement of profit and loss and other comprehensive income upon application of HKFRS 15.

(c) Upon application of HKFRS 15, the cash flows impact of the pre-sales proceeds received on sales of investment properties were reclassified to contract liabilities.

2.2 *HKFRS 9 Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and other items (i.e. financial guarantee contracts) and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	Trade and other receivables *RMB'000*	Deferred tax assets *RMB'000*	Accumulated losses *RMB'000*
Closing balance at 31 December 2017 — HKAS 39		39,369	5,660	377,048
Effect arising from initial application of HKFRS 9:				
Remeasurement				
Impairment under ECL model	*(a)*	(1,343)	–	1,343
Tax effects	*(a)*	–	336	(336)
Opening balance at 1 January 2018		38,026	5,996	378,055

Note:

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually with outstanding balance of RMB30,000, the remaining balances are grouped based on internal credit rating.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, restricted bank deposits, time deposits and bank balances, are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

For outstanding financial guarantees provided to banks for mortgage facilities granted to the purchasers of the Group's properties amounting to RMB547,639,000 at 1 January 2018, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is assessed on 12m ECL basis.

As at 1 January 2018, the additional credit loss allowance of RMB1,343,000 and the related deferred tax assets of RMB336,000 have been recognised against accumulated losses for other receivables. Except for the other receivables, the directors of the Company reviewed and assessed the impairment of trade receivables, restricted bank deposits, time deposits, bank balances and financial guarantee contracts under ECL model, and no additional loss allowance is recognised against accumulated losses.

2.3 Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

2.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 *RMB'000* (audited)	Impact on adoption of HKFRS 15 *RMB'000*	Impact on adoption of HKFRS 9 *RMB'000*	1 January 2018 *RMB'000* (restated)
NON-CURRENT ASSETS				
Deferred tax assets	5,660	–	336	5,996
CURRENT ASSETS				
Properties held for sale	675,952	1,401	–	677,353
Trade and other receivables	39,369	–	(1,343)	38,026
Contract costs	–	895	–	895
CURRENT LIABILITIES				
Pre-sale proceeds received on sales of properties	242,733	(242,733)	–	–
Contract liabilities	–	244,134	–	244,134
NON-CURRENT LIABILITIES				
Deferred tax liabilities	22,358	224	–	22,582
CAPITAL AND RESERVES				
Reserves	592,868	671	(1,007)	592,532

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has no non-cancellable operating lease commitments.

In addition, the Group currently considers refundable rental deposits paid of RMB6,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "*Determining whether an Arrangement contains a Lease*" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRS issued by HKICPA. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets.*

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

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that an initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future periods if the revision affects both current and future years.

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

Estimation of fair value of investment properties, including those investment properties shown as assets classified as held for sale

The valuations of investment properties, including those investment properties shown as assets classified as held for sale, were determined based on the investment approach or direct comparison approach. The valuation of civil defense car parking spaces and kindergarten property was determined based on investment approach by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the property interests. It was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. The valuation of non-civil defense car parking spaces, was determined based on direct comparison approach by referencing to recent market transaction prices of similar properties in the similar locations with adjustments of other individual factors. Note 9 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

The carrying amount of investment properties, including those investment properties shown as assets classified as held for sale, at 31 December 2018, was approximately RMB110,101,000 (2017: RMB113,601,000). Notwithstanding that the management employs independent professional qualified valuers to perform fair value assessments based on these assumptions, the fair values of these investment properties may be higher or lower depending on the future market conditions.

Estimated net realisable value on properties held-for-sale

In determining whether allowances should be made to the Group's properties held for sale, the Group takes into consideration the current market conditions to estimate the net realisable value (i.e. the estimated selling price less estimated costs to complete and estimated costs necessary to make the sales by reference to the similar properties in similar locations). An allowance is made if the estimated net realisable value is less than the carrying amount. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, a further loss will be recognised on the properties held for sale in the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2018, the carrying amount of the properties held for sale was approximately RMB690,043,000 (2017: RMB675,952,000).

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant estimates is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates and the amount of the land appreciation was determined by subtracting the related deductible amounts, including the property development expenditures which require accounting estimation of the total budget of the property development project, from the sales revenue. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the years in which such tax is finalised with local tax authorities. As at 31 December 2018, the carrying amount of the land appreciation tax payable was RMB657,000 (2017: RMB6,496,000).

5. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the property development and revenue represents the net amounts received and receivable for properties sold by the Group in the normal course of business to customers.

(i) Disaggregation of revenue from contracts with customers

	2018	2017
	RMB'000	*RMB'000*
Sales of properties		
Residential units in the Binjiang International Project*	**15,643**	10,454
Residential units in The Cullinan Bay Project**	**144,316**	345,415
	159,959	355,869

* The project represents completed properties located in Quanzhou, Fujian province.

** The project represents properties under development and completed properties located in Yangzhou City, Jiangsu province.

(ii) Performance obligations for contracts with customers

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of residential properties is therefore recognised at a point of time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group averagely receives 35% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

The Group considers the advance payment schemes contains significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

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 and loss within one year.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Sales of properties *RMB'000*
Within one year	**333,143**
More than one year but not more than two years	**165,148**
	498,291

Information reported to the management of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is on a project by project basis. Each property development project constitutes an operating segment and the Group currently operated two property development projects called the Binjiang International Project and The Cullinan Bay Project. Over 90% (2017: 97%) of revenue for the year ended 31 December 2018 is derived from The Cullinan Bay Project. The management of the Group assesses the performance of the reportable segment based on the revenue for the year of the Group as presented in the consolidated statement of profit or loss and other comprehensive income. The accounting policies of the operating segment are the same as the Group's accounting policies.

As all the property development projects have similar economic characteristics and are similar in the nature of property development and business processes, the type or class of customers and the methods used to distribute the properties, thus all property development projects were aggregated as one reportable segment. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review.

Entity-wide disclosures

Revenue from major products

Revenue during the years ended 31 December 2018 and 2017 represents sales of residential properties in property development projects as mentioned above in the PRC.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from the PRC based on the location of property development projects and all of the Group's non-current assets are located in the PRC by physical location of assets.

Information about major customers

There is no single customer or a group of customers under common control which contributed over 10% of the Group's revenue for the years ended 31 December 2018 and 2017.

6. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**15,933**	12,468
PRC Land Appreciation Tax ("**LAT**")	**1,361**	5,465
	17,294	17,933
(Over)under provision in prior years:		
EIT	**(16,673)**	—
LAT	**29,750**	—
	13,077	—
Deferred tax	**(8,498)**	6,885
	21,873	24,818

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Current tax provision represents provision for the PRC EIT and the PRC LAT. Under the Law of People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% for both years.

In addition, under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, 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, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

On 28 December 2006, the State Administration of Taxation of the PRC (the "**SAT**") issued the Notice on the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (《關於房地產開發企業土地增值税清算管理有關問題的通知》), which took effect on 1 February 2007. Such notice provides further clarification regarding the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules according to the notice and local conditions. On 12 May 2009, the SAT issued the Regulations of Land Appreciation Tax Settlement Administration (《土地增值税清算管理規程》), effective on 1 June 2009, which further clarifies the specific conditions and procedures for the settlement of LAT.

During the year ended 31 December 2018, the Group completed the settlement of LAT and EIT of the Group's Binjiang International Project in Quanzhou, Fujian province, the PRC with the relevant tax authority. The Group agreed with the relevant tax authority to assess the LAT on deemed basis (核定徵收), instead of on an actual basis (查賬徵收), to determine the LAT on the Binjiang International Project. As agreed with the relevant tax authority, LAT of the Binjiang International Project is determined based on 5% to 6% (depending on the nature of the properties) of properties sales revenue. The Group previously estimates the LAT provision of the Binjiang International Project by applying the actual basis. As a result of the change in the LAT determination methodology, the Group recorded an under provision of LAT in prior year during the year ended 31 December 2018 amounting to RMB29,750,000. In addition to the increase in LAT expenses in the Binjiang International Project, the Group resulted an over provision of EIT of RMB16,673,000 in respect of the Binjiang International Project during the year ended 31 December 2018.

7. PROFIT FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,224**	1,197
Depreciation of plant and equipment	**110**	223
Rental expense in respect of rented premise under operating lease	**118**	114
Gross rental income from investment properties	**(662)**	(644)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**83**	96
	(579)	(548)
Cost of properties held-for-sale recognised as an expense	**111,087**	286,823
Directors' emoluments	**2,528**	2,609
Other staff costs		
— salaries and allowances	**3,907**	4,233
— retirement benefits scheme contributions	**728**	733
Total staff costs	**7,163**	7,575

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2018	2017
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**10,954**	21,695
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,837,990**	5,837,990

The weighted average number of shares used for the purpose of calculating basic earnings per share for both years are determined by reference to the number of ordinary shares outstanding during the year.

No diluted earnings per share for the year ended 31 December 2018 and 2017 were presented as there were no potential ordinary shares in issue during both years.

9. INVESTMENT PROPERTIES

	Completed investment properties
	RMB'000
FAIR VALUE	
At 1 January 2017	104,985
Net fair value change recognised in profit or loss	13,210
Disposal	(4,594)
Reclassified as held for sale *(note 13)*	(774)
At 31 December 2017	112,827
Net fair value change recognised in profit or loss	751
Disposal	(3,477)
Reclassified as held for sale *(note 13)*	(521)
At 31 December 2018	**109,580**

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3 and fair value	
	2018	2017
	RMB'000	*RMB'000*
Civil defense car parking spaces	**27,785**	29,538
Car parking spaces	**69,095**	70,489
A kindergarten property	**12,700**	12,800
	109,580	112,827

There were no transfers into or out of level 3 during both year.

10. PROPERTIES HELD FOR SALE

Properties held for sale in the consolidated statement of financial position comprise:

	2018	2017
	RMB'000	*RMB'000*
Properties held for sale		
Properties under development	**399,621**	369,937
Completed properties	**290,422**	306,015
	690,043	675,952

All of the properties under development and completed properties are located in Fujian Province and Jiangsu Province of the PRC. All the properties held-for-sale are stated at lower of cost and net realisable value on an individual property basis.

At 31 December 2018, property under development of RMB184,628,000 (2017: RMB217,781,000) are not expected to be realised within one year.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables		
— Sales of properties	**517**	97
Less: allowance for credit losses	**(30)**	(30)
	487	67
Other receivables *(note a)*	**7,680**	6,369
Less: allowance of credit losses	**(3,836)**	(2,493)
	3,844	3,876
Receivables from disposal of investment properties	**1,241**	12,783
Prepaid taxes other than income tax and land appreciation tax	**20,235**	8,537
Advance to suppliers *(note b)*	**30,180**	11,037
Other deposits and prepayments	**3,376**	3,069
	58,876	39,302
	59,363	39,369

Notes:

(a) The amount mainly represents the public maintenance fund received on behalf of the Ministry of Housing and Urban-Rural Development of the PRC from the property buyers as maintenance fund for the public facilities within the residential properties. Such fund would be returned to Ministry of Housing and Urban-Rural Development upon request.

(b) The amount represents the advance payment to the contractors in order to secure construction services in projects. The advance is expected to be fully utilised in the construction projects within a year from the end of the reporting period.

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to RMB487,000 and RMB67,000, respectively.

The Group generally grants no credit period to property buyers and only allows certain customers to settle their balances by instalments. The following is an aged analysis of trade receivables presented based on the date when the revenue from sales of the respective properties were recognised:

	2018	2017
	RMB'000	*RMB'000*
181–365 days	**487**	17
Over 365 days	**–**	50
	487	67

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB487,000 which are past due as at the reporting date. Out of the past due balances, RMB487,000 has been past due 90 days or more and is not considered as in default by considering the historical payment arrangement of these trade receivables. The Group does not hold any collateral over these balances.

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB67,000 which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances and no interest is charged on overdue trade receivables.

Ageing of trade receivables which are past due but not impaired

	2017 *RMB'000*
181–365 days	17
Over 365 days	50
	67

Trade receivables that were past due but not provided for impairment loss are related to a number of independent customers and the title certificates of the relevant properties would not be passed to customers until the full settlement of the outstanding balances. Based on past experience, the management of the Group considers that the ECL in respect of these remaining balances is insignificant as there has not been a significant change in credit quality of the trade receivables from the date credit was initially granted up to the date of the reporting period and the remaining balances are still considered fully recoverable. No movement in the allowance on doubtful debts of trade receivables during the year ended 31 December 2017.

Movement in the allowance for doubtful debts of other receivables

	2017 *RMB'000*
At 1 January	22
Impairment losses recognised	2,471
At 31 December	2,493

As at 31 December 2017, included in the allowance of credit losses are collectively impaired other receivables with an aggregates balances of RMB2,943,000 which have been overdue over 365 days.

12. CONTRACT COSTS

	2018 ***RMB'000***
Incremented costs to obtain contracts *(Note a)*	**2,712**

Note:

(a) Contract costs capitalised as at 31 December 2018 relate to the incremental commissions expenses to intermediaries/employees in connection with obtaining sales of properties contracts with customers which are still under construction or not yet delivered at the reporting date.

Contract costs are recognised as part of selling expenses in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB895,000. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

The Group applies the practical expedient and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

13. ASSETS CLASSIFIED AS HELD FOR SALE AND PRE-SALES PROCEEDS RECEIVED ON SALES OF INVESTMENT PROPERTIES

The major classes of assets classified as held for sale as at 31 December 2018 and 2017 are as follow:

	2018	2017
	RMB'000	*RMB'000*
Assets classified as held for sale:		
Investment properties	**521**	774

During the years ended 31 December 2018 and 2017, the Group entered into sale agreements with independent third parties to sell certain car parking spaces. As at 31 December 2018 and 2017, the Group received sale deposits regarding sales of investment properties approximately to RMB535,000 and RMB260,000, respectively. The investment properties which were expected to be sold within twelve months were classified as held for sale and were presented separately in the consolidated statement of financial position. During the year ended 31 December 2018, the investment properties classified as held-for-sale as at 31 December 2017 have been derecognised.

The fair values of the investment properties classified as held for sale at 31 December 2018 and 2017 been arrived on the direct comparison method carried out by C&W on respective dates as disclosed in note 9.

14. PRE-SALES PROCEEDS RECEIVED ON SALES OF PROPERTIES

Pre-sales proceeds received on sales of properties represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy.

As at 31 December 2017, pre-sales proceeds received on sales of properties of RMB44,884,000 is expected to be released to profit or loss after one year.

15. CONTRACT LIABILITIES

	As at 31 December 2018 *RMB'000*	As at 1 January 2018* *RMB'000*
Pre-sales proceeds received on sales of properties	**447,677**	244,134

* The amounts in this column are after adjustments from the application of HKFRS 15.

The following table shows how much of the revenue recognised in the current year relates to carried forward contract liabilities.

	Sales of properties *RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	126,642

The Group averagely receives 35% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

In addition, the Group considers the advance payment schemes contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant group entities. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customers.

The directors of the Company considered that the balance of contract liabilities as at 31 December 2018 will be recognised as revenue to profit or loss as follows:

	2018 ***RMB'000***
Within one year	**301,481**
After one year	**146,196**
	447,677

16. DEFERRED TAX ASSETS/LIABILITIES

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

	2018	2017
	RMB'000	*RMB'000*
Deferred tax assets	**11,312**	5,660
Deferred tax liabilities	**(19,400)**	(22,358)
	(8,088)	(16,698)

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to dividend earned and payable to investors that are "non-tax resident enterprises" in respect of profits earned by the PRC subsidiaries since 1 January 2008, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends paid by the PRC subsidiaries to offshore group entities shall be subject to the withholding tax at 10% or a lower treaty rate. The Group is subject to withholding tax in relation to the dividend paid by the PRC subsidiaries. Deferred taxation has not been provided for in the consolidated financial statements in respect of accumulated profits of the PRC subsidiaries amounting to RMB153,193,000 (2017: RMB135,263,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2018, the Group has unused tax losses of RMB550,000 (2017: RMB483,000) available for offsetting against future profits. No deferred tax asset has been recognised in relation to such unused tax losses due to the unpredictability of future profit streams. RMB67,000 and RMB483,000 (2017: RMB483,000) unrecognised tax losses will expire in 2023 and 2022 (2017: 2022), respectively.

17. AMOUNT DUE TO A RELATED PARTY

		2018	2017
		RMB'000	*RMB'000*
Mr. Shie Tak Chung	Unsecured, non-interest bearing and repayable on demand	**2,283**	–

The amount due to a related party represented advances from Mr. Shie Tak Chung, the director of the Company.

18. SHARE CAPITAL

Share capital of the Company

	Number of shares *'000*	Amount of share capital *HK$'000*	Amount of share capital *RMB'000*
Authorised ordinary shares:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018 at HK$0.005 each	100,000,000	500,000	435,951
Issued and fully paid ordinary shares:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December and 2018 at HK$0.005 each	5,837,990	29,190	25,451

All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

19. CONTINGENT LIABILITIES

	2018 ***RMB'000***	2017 *RMB'000*
Corporate guarantee given to banks in respect of mortgage facilities granted to property buyers	**574,143**	547,639

In accordance with market practice in the PRC, the Group provides guarantees for the property buyers' mortgage loans with the PRC banks to facilitate their purchases of the Group's properties. Guarantees for mortgages on properties begin simultaneously with the respective mortgage, and are generally discharged at the earlier of: (i) the property buyers obtains the individual property ownership certificate, and (ii) the full settlement of mortgage loans by the property buyers. The outstanding financial guarantee providing with guarantee period up to the full settlement of mortgage loans as at 31 December 2018 amounted to RMB574,143,000 (2017: RMB547,639,000). Pursuant to terms of the guarantees, for a given mortgage loan, if there is any default of the mortgage payments by a property buyer, the Group is responsible to repay to the bank outstanding balance of the mortgage loans as well as accrued interests and penalties owned by the defaulted property buyers. If the Group fails to do so, the mortgage banks will first deduct the bank balances existing in the bank owned by the property buyers. Any shortfall will be recovered through auction the underlying properties and recover the remaining balances from the Group if the outstanding loan amount exceeds the net foreclosure sale proceed. The Group does not conduct independent credit checks on their property buyers but rely on the credit checks conducted by the mortgage banks.

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties is expected to cover the outstanding mortgage principals together with the accrued interest and penalties. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

20. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the years.

The capital structure of the Group consists of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company reviews the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new shares, issue as well as the issue of new debts.

21. RELATED PARTY DISCLOSURES

Apart from details disclosed elsewhere in the consolidated financial statements, the Group has entered into the following significant transaction with a related party during the year ended 31 December 2018:

Name of related party	**Nature**	**2018** ***RMB'000***	2017 *RMB'000*
德泰物業管理有限公司揚州分公司 Detai Property Management Company Limited (Yangzhou Branch)* ("Detai Property Management")	Property management services fee paid	**1,800**	900

* *English name is for identification purpose only*

Detai Property Management is beneficially owned by Mr. Shie Tak Chung and Mr. Tsoi Kin Sze, the directors of the Company.

INDUSTRY REVIEW

Looking back to 2018, "houses are for living in, not for speculation" and curbing the property speculation and rapidly rising property prices remained the major principles of real estate policies in the PRC. According to the National Bureau of Statistics, the gross floor area of commodity properties sold in the PRC amounted to 1,716.54 million square meters for 2018, representing an increase of 1.3% as compared with that of last year, and the sales of commodity properties amounted to RMB14,997.3 billion, representing a year-on-year increase of 12.2%. During the year, the Chinese central government tightened its macro-control policies on real estate, and regional government intensively launched regional restrictive measures on property purchase, pricing and credit. As a result, the trend of rapid increase of property prices was stabilized, and the overall real estate sector maintained stable growth.

BUSINESS REVIEW AND PROSPECT

For the year ended 31 December 2018, the Group remained focused on its two residential property projects, i.e. the Binjiang International project in Quanzhou, Fujian Province and The Cullinan Bay project in Yangzhou, Jiangsu Province. In addition to ongoing sales of the existing completed property units in the Binjiang International and Phase 1 of The Cullinan Bay projects, the Group began to deliver certain of the residential properties of Phase 2 of The Cullinan Bay project during the year and will continue to develop the remaining part of The Cullinan Bay project.

Management expects the outlook in 2019 to continue to be challenging, and stabilization on the real estate market will play an important role in stabilizing economic development under the macro background of increasing economic downward pressure. Under the premise of "houses are for living in, not for speculation", "implementation of policies based on situations of various cities", promoting the balance between supply and demand and the establishment of a long-term stable and healthy development mechanism of the property market will remain the important measures for adjusting and controlling policies.

In terms of business strategy, the Group will keep focusing on the development of quality properties accompanied with a living community to customers, particularly in those cities in the PRC where the rigid demand for housing remain strong due to the Chinese government's urbanization and shanty town renovation plans. The Group has been actively looking for new property development projects and will also explore other business opportunities to maximize long-term shareholder value.

FINANCIAL REVIEW

Financial Performance

The Group's revenue for the year ended 31 December 2018 continued to be derived from the sale and delivery of properties of The Cullinan Bay and the Binjiang International projects to customers, net of discounts and sales related taxes. Revenue declined 55.1% from RMB355,869,000 for the year ended 31 December 2017 to RMB159,959,000 for the year ended 31 December 2018, primarily attributable to the decrease in delivery of the completed residential properties of The Cullinan Bay project during the year.

Along with the reduction of revenue, gross profit of the Group decreased by 21.2% from RMB61,102,000 for the year ended 31 December 2017 to RMB48,164,000 for the year ended 31 December 2018, whereas the gross profit margin improved from 17.2% for the year ended 31 December 2017 to 30.1% for the year ended 31 December 2018, mainly due to the upward adjustment of average selling price of the properties in The Cullinan Bay project sold.

Selling expenses decreased by 44.0% from RMB8,433,000 for the year ended 31 December 2017 to RMB4,720,000 for the year ended 31 December 2018, as a result the decrease in advertising and promotion costs and the adjustment of certain sales agent commission expense of RMB1,817,000 upon the initial adoption of HKFRS 15 by the Group at 1 January 2018.

Administrative expenses decreased by 10.3% from RMB17,742,000 for the year ended 31 December 2017 to RMB15,909,000 for the year ended 31 December 2018, mainly due to the cost control measures taken by the Group during the year.

Effective tax rate calculated based on income tax expense divided by profit before tax increased from 52.8% for the year ended 31 December 2017 to 66.1% for the year ended 31 December 2018, primarily due to the prior year's underprovision of PRC LAT of RMB29,750,000, net of the prior year's overprovision of PRC EIT of RMB16,673,000 after the Group completed the settlement of LAT and EIT of its Binjiang International project with the relevant tax authority.

Liquidity and Financial Resources

As at 31 December 2018, the Group had total assets of RMB1,226,242,000 which were financed by total equity of RMB638,988,000 and total liabilities of RMB587,254,000.

The Group's working capital requirements were mainly financed by internal resources. As at 31 December 2018 the Group had time deposits, bank balances and cash of RMB195,122,000 (2017: RMB150,851,000) and no bank borrowings (2017: Nil).

Current ratio of the Group was 1.84 times as at 31 December 2018 (2017: 2.19 times).

Foreign Exchange Exposure

Major subsidiaries of the Company operate in the PRC and all the business transactions of the Group are denominated in RMB. Net foreign exchange loss for the year ended 31 December 2018 primarily resulted from the translation of the bank balance and cash denominated in currencies other than RMB into RMB. Currently, the Group does not use derivative financial instruments and has not entered into any derivative contracts. However, the management will monitor the currency fluctuation exposure and will consider hedging significant foreign exchange risk should the need arises.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had approximately 34 full-time employees, excluding the Directors, in the PRC. During the year ended 31 December 2018, the total staff costs, including Directors' remuneration, was RMB7,163,000 (2017: RMB7,575,000). Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by the management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration and benefit package to its employees. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident fund, pension, medical, maternity, work injury insurance and unemployment benefit plans.

CORPORATE GOVERNANCE

To the best knowledge of the Directors, the Company has complied with the code provisions as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") — Corporate Governance Code and Corporate Governance Report (the "**CG Code**") during the year ended 31 December 2018, except the deviation disclosed in the following paragraph:

With respect to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. At the annual general meeting of the Company held on 24 May 2018, one independent non-executive Director was absent due to other business engagement.

The Board is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders of the Company and to enhance accountability and transparency. The Company considers that sufficient measures have been taken to ensure compliance with the CG Code.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in securities of the Company. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the Model Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

DIVIDEND

The Board does not recommend payment of any dividend for the year ended 31 December 2018 (2017: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Thursday, 6 June 2019 in Hong Kong. The notice of AGM will be published and despatched to the Company's shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019 (both days inclusive) to facilitate the processing of proxy voting. In order to be entitled to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 31 May 2019.

AUDIT COMMITTEE

The Audit Committee comprises all independent non-executive Directors. The Audit Committee has reviewed with the management the consolidated financial statements of the Company for the year ended 31 December 2018, including the accounting principles and practices adopted. The financial figures in this announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Company's auditors.

EVENTS AFTER THE REPORTING PERIOD

As of the date of this results announcement, the Group has no significant events after the reporting period required to be disclosed.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at www.jiande-intl.com and the website of the Stock Exchange at www.hkexnews.hk. The 2018 annual report of the Company will be despatched to shareholders of the Company and published on the above-mentioned websites on or before 30 April 2019.

By order of the Board
Jiande International Holdings Limited
Shie Tak Chung
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the executive Directors are Mr. Shie Tak Chung, Mr. Tsoi Kin Sze, Mr. Wu Zhisong and Mr. Lee Lit Mo Johnny and the independent non-executive Directors are Mr. Ma Sai Yam, Mr. Zhang Senquan and Mr. Yang Quan.