



# China Yuanbang Property Holdings Limited

(Company Registration Number: 39247)

(Incorporated in Bermuda on 4 December 2006)



# 2018

Annual Report



# Contents

2	Corporate Information	21	Key Management Personnel
3	Corporate Profile	22	Corporate Governance Report
4	Five Years Key Financial Highlights	38	Directors' Report
5	Corporate Structure	42	Statement by Directors
6	Chairman's Statement	43	Sustainability Report
9	Business and Financial Review	47	Financial Section
17	Projects Highlights	130	Shareholders' Information
19	Board of Directors	132	Notice of Annual General Meeting



# Corporate Information

## BOARD OF DIRECTORS

### Non-Executive Director:

Lin Yeju (*Chairman*)

### Executive Directors:

Ouyang Sheng

Zhou Jiangtao

### Independent Directors:

Teo Yi-Dar

Chong Soo Hoon Sean

Xia Weichang

## AUDIT COMMITTEE

Teo Yi-Dar (*Chairman*)

Chong Soo Hoon Sean

Xia Weichang

## NOMINATING COMMITTEE

Chong Soo Hoon Sean (*Chairman*)

Teo Yi-Dar

Xia Weichang

## REMUNERATION COMMITTEE

Xia Weichang (*Chairman*)

Teo Yi-Dar

Chong Soo Hoon Sean

## SHARE OPTION SCHEME COMMITTEE

Xia Weichang (*Chairman*)

Teo Yi-Dar

Chong Soo Hoon Sean

## COMPANY SECRETARY

Huang Tak Wai

## ASSISTANT SECRETARY

Conyers Corporate Services (Bermuda) Limited

## REGISTERED OFFICE

Clarendon House

2 Church Street, Hamilton HM11

Bermuda

## BUSINESS OFFICES

9th Floor, Yuanbang Building

No. 599 Huangshi West Road

Baiyun District, Guangzhou City

Guangdong Province

People's Republic of China, 510430

Tel: (86) 20 2627 2116

Fax: (86) 20 2627 2202

Unit 2005, 20th Floor

Sunlight Tower

248 Queen's Road East, Wanchai

Hong Kong

Tel: (852) 2511 1885

Fax: (852) 2802 0680

## WEBSITE

<http://www.yuanbang.com>

## BERMUDA SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited

Clarendon House

2 Church Street, Hamilton HM11

Bermuda

## SINGAPORE SHARE TRANSFER AGENT

B.A.C.S. Private Limited

8 Robinson Road #08-00

ASO Building

Singapore 048544

## AUDITORS

BDO Limited

Certified Public Accountant

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

BDO LLP

Public Accountants and Chartered Accountants

600 North Bridge Road

#23-01 Parkview Square

Singapore 188778

## AUDIT DIRECTOR/PARTNER-IN-CHARGE:

Lo Ngai Hang

Commencing from the financial year ended

30 June 2015

Koh Yen Ling

Commencing from the financial year ended

30 June 2018

# Corporate Profile



China Yuanbang Property Holdings Limited (元邦房地產控股有限公司) (the “Company” or together with its subsidiaries, the “Group”), is a premium brand Guangzhou-based property developer that focuses on the development of quality residential and commercial properties, targeting at the middle to upper-middle income market segments. The Group has completed six property developments, namely the “Yuanbang Aviation Homeland” (元邦航空家園), “Yuanbang Mingyue Gardens” (元邦明月園), “Aqua Lake Grand City” (綠湖豪城), “Ming Yue Xing Hui” (明月星輝), “Ming Yue Jin An” (明月金岸) and “Ming Yue Shui An” (明月水岸) with an aggregate gross floor area (“GFA”) of approximately 896,107 square metres (“sq m”). The Group’s properties held under development include “Shan Qing Shui Xiu” (山清水秀) in Guangzhou City, “Hou De Zai Wu” (厚德載物) in Tonghua City, “Ren Jie Di Ling” (人杰地靈) in Weihai City, “Batai Mountain Project” in Wanyuan City and “Huizhou Project” in Huizhou City with an aggregate GFA of approximately 1,566,549 sq m.

With an experienced and driven management team, the Group strives for operational excellence and quality development. The Group has been awarded the “2005 China Real Estate Golden Tripod Award – China Quality Real Estate of the Year”, “The PRC Quality Property Development Award” in 2006 and “China Quality Construction Silver Award” in 2007, “2008 Top 10 Enterprises of Nanchang Commodity Housing Sales”, “2008-09 Most Influential Development Project in Jiangxi”, “2009 China Real Estate Golden Tripod Award”, “2009 China Real Estate Golden Building Award”, “2010 Top 10 Brand of Guangzhou Property”, “2011 Most Price/Performance Ratio Property in Jingxi”, “10 High-end Real Estate Award – Shan Qing Shui Xiu”, “Guangzhou Gold Medal Units Award – Ming Yue Jin An”, “2012 Guangzhou Top 10 Livable Units Award– Ming Yue Shui An”, “2013 Guangzhou Gold Medal Units Award – Ming Yue Shui An”, “2014 China Real Estate Golden Tripod Award – Most Reliable Property Brand” and “2016 Green Residential Project Award – Shan Qing Shui Xiu”.

The Company was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 9 May 2007.

# Five Years Key Financial Highlights

	FY2018	FY2017	FY2016	FY2015	FY2014
Revenue (RMB'000)	1,027,838	684,810	602,212	444,864	1,328,301
Gross Profit (RMB'000)	127,739	65,988	74,043	81,688	398,979
Net (Loss)/Profit For The Year (RMB'000)	(53,738)	(27,143)	(93,252)	(41,882)	206,927
Net (Loss)/Profit Attributable to Owners of the Company (RMB'000)	(46,703)	(27,733)	(81,739)	(26,819)	143,744
Dividend Per Share (RMB cents)	–	–	–	–	1
Total Assets (RMB'000)	4,926,236	5,355,327	4,787,976	4,873,539	4,467,917
Net Assets (RMB'000)	912,049	964,122	992,004	1,079,257	1,125,963
Equity Attributable to Owners of the Company (RMB'000)	621,820	666,858	695,330	771,070	805,213

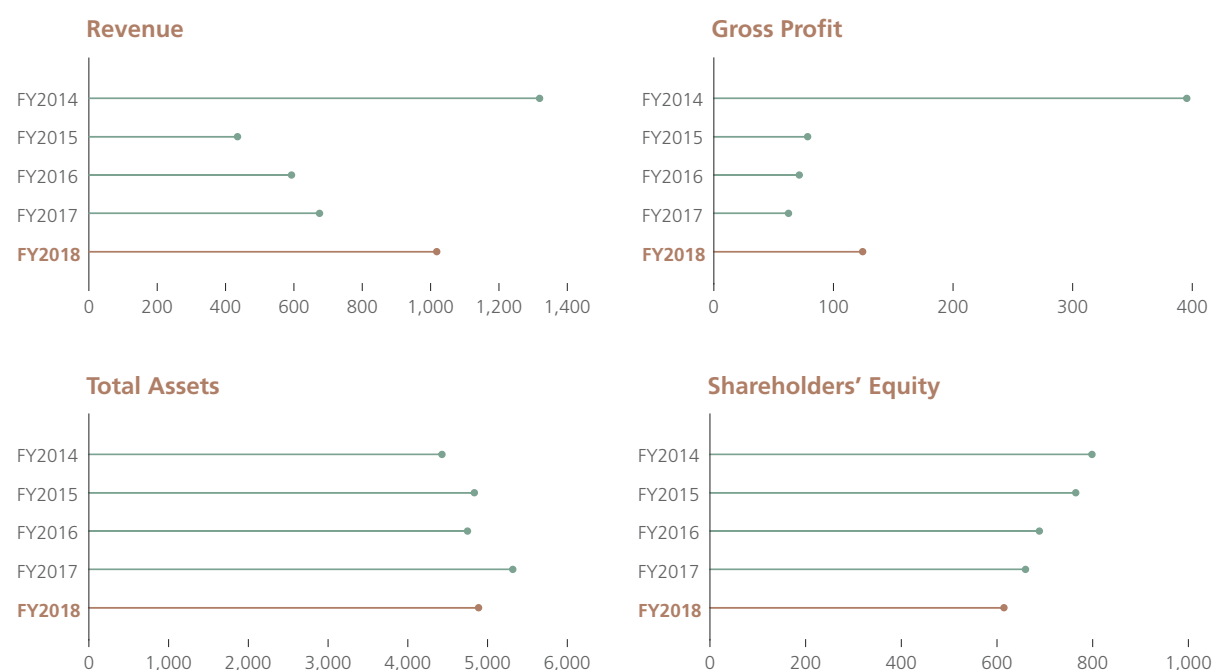
## FINANCIAL RATIO

(1) Gross Profit Margin	12.4%	9.6%	12.3%	18.4%	30.0%
(2) Net (Loss)/Profit Margin	(5.2%)	(4.0%)	(15.5%)	(9.4%)	15.6%
(3) Basic (Loss)/Profit Per Share (RMB dollars)	(0.67)	(0.40)	(1.18)	(0.39)	2.13
(4) Net Assets Value Per Share (RMB dollars)	8.96	9.61	10.02	11.11	11.60
(5) Return on Equity (%)	(7.2%)	(4.1%)	(11.1%)	(3.4%)	20.0%
(6) Net Debt to Equity (%)	239.63%	247.33%	201.29%	197.88%	151.60%

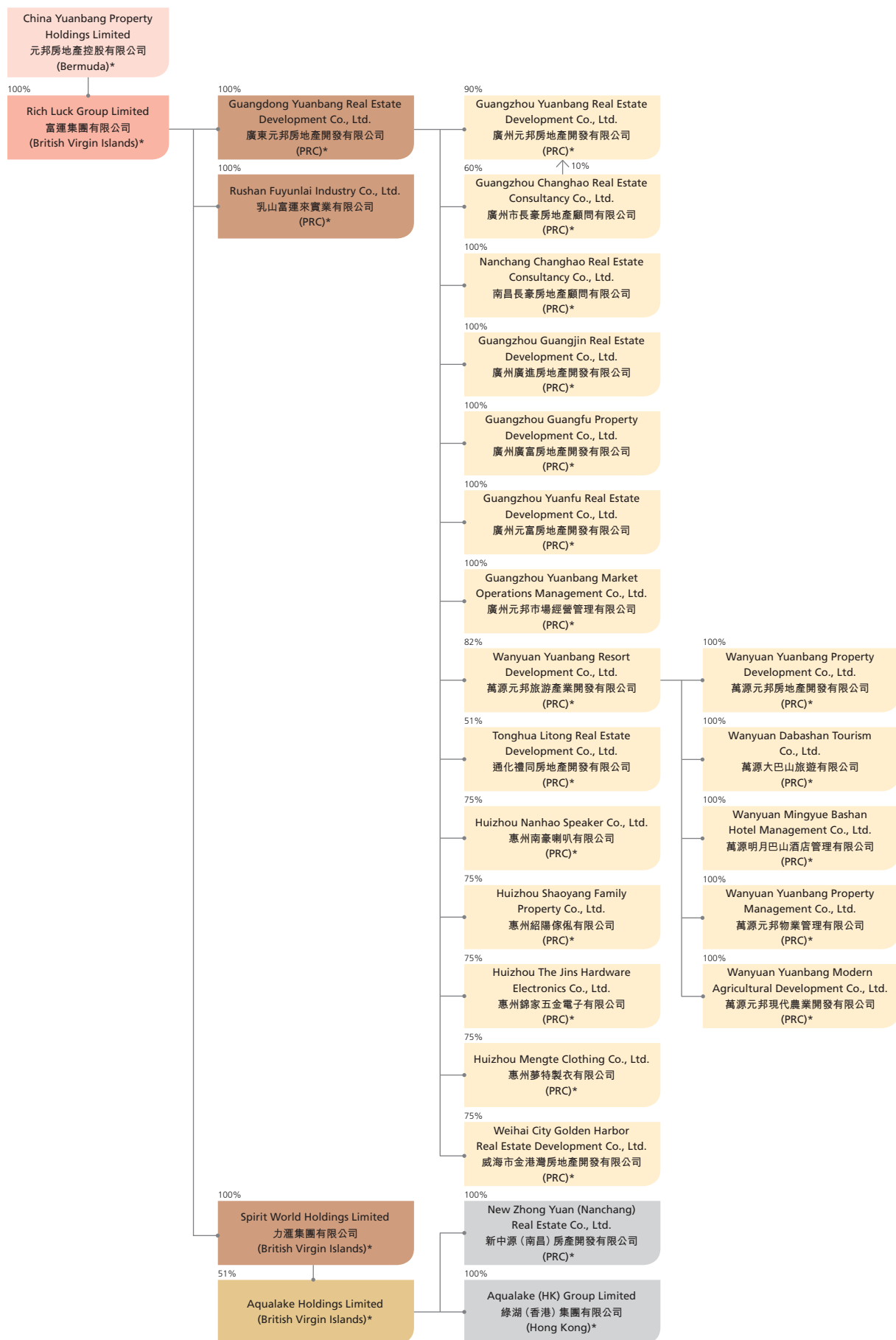
### Notes:

- (1) Gross profit margin equals gross profit divided by revenue.
- (2) Net (loss)/profit margin equals net (loss)/profit for the year divided by revenue.
- (3) Basic (loss)/profit per share equals net (loss)/profit attributable to owners of the Company divided by weighted average number of shares.
- (4) Net assets value per share equals equity attributable to owners of the Company divided by number of shares.
- (5) Return on equity equals net profit/(loss) attributable to owners of the Company divided by average of equity attributable owner of the Company.
- (6) Net debt to equity equals total debt less cash and cash equivalents divided by total equity.

## FINANCIAL HIGHLIGHTS (express in RMB million)



## Corporate Structure



\* Place of incorporation/establishments

# Chairman's Statement



# Chairman's Statement

## DEAR SHAREHOLDERS:

On behalf of the Board of Directors (the "Directors") of China Yuanbang Property Holdings Limited ("China Yuanbang" and together with its group of companies, the "Group"), I am pleased to present to you the annual results of the Group for the financial year ended 30 June 2018 ("FY2018").

## MARKET OVERVIEW

The macroeconomy of China was generally stable in first half of 2018. During the year, the Chinese government continued to issue a series of regulatory policies to regulate the real estate market in China, and at the same time, implemented tightening measures to curb speculation in the residential property market, thus creating strong headwinds for developers. Although the policies and measures were implemented in response to the strong demand and aim to support the healthy long-term development of the market, they have since unavoidably dampened property sales activity quite severely in the shorter term.

## YEAR IN REVIEW

The Group witnessed strong sales activities throughout FY2018. A substantial number of our projects have entered into the completion and handing over phases. Presales of RMB1.1 billion as at 30 June 2018 will be progressively recognised from first quarter of FY2019 as the completed units are being handed over to buyers. Hou De Zai Wu of Tonghua Project and Ming Yue Shui An of Xilang Project were two main contributors to the Group's revenue in FY2018. Collectively, they accounted for 78.7% of the Group's revenue, amounting to approximately RMB809.3 million.

Shan Qing Shui Xiu of Huadu Project recorded a contracted sales of RMB221.0 million for 217 residential units and 1 car park. During the year, 3 units were handed over to its customers, recording a revenue of RMB13.3 million for FY2018. The rest of the contracted sales units is expected to be delivered to buyers in FY2019.

Apart from some car parking lots and a few residential units, all property units of Aqua Lake Grand City, Ming Yue Xing Hui and Ming Yue Jin An had been sold and handed over to customers.

In the first half of FY2018, the Group experienced a temporary disruption in its operations of Batai Mountain National Park ("the Park") due to certain application procedures for the facilities at the Park found not in order and did not meet the compliance requirements in relation to the protection of the environment and community in the vicinity. However, the operations were resumed on 20 September 2017 after the Group submitted the ratification proposal and conducted certain rectification works. Apart from this incident, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Park for FY2018.

## FINANCIAL PERFORMANCE

For FY2018, the Group had recorded a turnover of approximately RMB1,027.8 million, representing an increase of approximately 50.1% compared to approximately RMB684.8 million for the FY2017. The improvement in turnover was mainly attributed to accelerated efforts of the Group in handing over the residential units of Hou De Zai Wu and Ming Yue Shui An.

Gross profit increased by RMB61.7 million to RMB127.7 million for FY2018 compared to RMB66.0 million in FY2017. The increase in gross profit was mainly due to higher gross profit margin arising from the Xilang Project, Ming Yue Shui An and Shan Qing Shui Xiu.

## Chairman's Statement

The Group recorded RMB4.5 million arising from fair value adjustments on the Group's investment properties in FY2018 compared to a gain of RMB53.6 million in FY2017 based on the valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited dated 29 August 2018. The fair value adjustments on investment properties decreased due to lower rental price increase on lease renewal and decreased occupancy rates.

The Group recorded other income and gains of RMB43.9 million for FY2018 which was RMB1.5 million lower compared to RMB45.4 million in FY2017. The decrease was mainly attributable to the decreased admission tickets and in-park recreation income of Batai Mountain National Park of RMB16.6 million (FY2017: RMB19.6 million) for the year.

The Group recorded income tax expense of RMB74.5 million for FY2018 which was RMB27.1 million higher compared to RMB47.4 million in FY2017. The amount mainly represented the provision of PRC enterprise income tax ("EIT") of RMB39.1 million, land appreciation tax ("LAT") of RMB18.6 million and deferred tax expenses of RMB16.8 million provided for the year.

Overall, the Group recorded a net loss attributable to shareholders of RMB46.7 million, which was RMB19.0 million lower compared to loss of RMB27.7 million in FY2017.

The Group recorded net assets of RMB912.0 million as at 30 June 2018, a slight decrease of RMB52.1 million, compared to RMB964.1 million as at 30 June 2017. This translates to a 5.4% decrease in net asset value per share to RMB8.96 compared to RMB9.61 recorded at 30 June 2017.

### BUSINESS OUTLOOK

Property market conditions look set to remain tough, and the outlook of the property market will remain challenging in the years to come.

Given the headwinds facing the Group, it is pertinent for the Group to remain prudent. The Group will closely monitor changes in macro-policy conditions and takes various effective responsive measures to strengthen its risk management. The Group will accelerate its sales efforts, monitor closely of its cash collection and cash flow management, and explore multiple channels of funding sources, to ensure sufficient liquidity. The Group will continue to concentrate its property development in the first-tier cities, such as Guangzhou, while also accelerating its efforts to reduce its projects inventory in the second-tier cities. The Group is also seeking other new opportunities in the real estate sector, including commercial and mall projects.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to all members of the Board, Management and staff and those who have supported us for their dedication and contributions to the Group. I would also like to express my most sincere gratitude to our shareholders, customers and business associates for their continued trust and support. We will continue to put our best efforts to generate good business results and better returns to our shareholders.

**Lin Yeju**

*Non-Executive Chairman*

# Business & Financial Review



# Business and Financial Review

## BUSINESS REVIEW

### Projects in Review

#### *Aqua Lake Grand City*

Located at Hongjiaozhou, Honggutan New District, a new central business district of Nanchang City, Aqua Lake Grand City is the recipient of the “2008 Top 10 Enterprises of Nanchang Commodity Housing Sales” and “2008-09 Most Influential Development Project in Jiangxi”.

Occupying a total site area and GFA of approximately 193,380 sq m and 444,958 sq m respectively, the development was built in three phases, with residential, commercial, office and hotel.

Phase I, comprising 851 residential units and 80 commercial units, was completed in 2009 and is handover completely as at 30 June 2013.

Phase II, comprising 1,005 residential units and 127 commercial units, was completed in 2012. As at 30 June 2018, Phase II has generated a total contracted sales of approximately RMB160.5 million, with 32 residential units sold. During FY2018, 24 residential units had been handed over with a revenue of RMB107.7 million generated. With 99.8% of the residential units handed over to buyers, the value of pre-sale units not handed over to buyers stood at RMB52.8 million as at 30 June 2018.

For Phase III, the Group had entered into a sale and purchase agreement with certain independent third parties (the “Purchasers”) in relation to the sale of the hotel for an aggregate consideration of RMB268 million on 13 May 2013. The Group had completed the handover of the legal title of the hotel to the Purchasers during FY2017.

#### *Shan Qing Shui Xiu*

Shan Qing Shui Xiu is located at North Shanqian Tourist Avenue Qixin Village, Furong Town Huadu District, Guangzhou, and in close proximity to the economic circle in Guangzhou.

This development site occupies a total site area and planned GFA of approximately 269,572 sq m and 351,594 sq m. It comprises three phases of development with a focus on low density villas and good class residences.

Phase I, comprising 340 residential units, was completed in 2012. Phase II, comprising 124 residential units, was completed in 2013. Total 20.0% of the units were handed over to buyers as at 30 June 2018. Phase III, comprising 1,165 residential units was completed in 2018 and the value of pre-sale units not handed over to buyers stood at RMB637.4 million.

As at 30 June 2018, Shan Qing Shui Xiu has generated a total contracted sales of approximately RMB221 million, with 217 residential units sold. During FY2018, 3 residential units had been handed over with a revenue of RMB13.8 million generated. The value of pre-sale units not handed over to buyers stood at RMB637.4 million.

## Business and Financial Review

### ***Ming Yue Xing Hui***

This residential and commercial development project is located at Wenchang North Road, Liwan District of Guangzhou City. Occupying a total site area and planned GFA of approximately 9,510 sq m and 68,139 sq m respectively, it comprises 6 blocks of 30-storey apartments with a clubhouse and an underground car park.

With a total of 431 residential units and 219 commercial units, Ming Yue Xing Hui is accessible via major transport networks and near community amenities. It is also located at the core zone of the antique and jade trading centre and the traditional commercial, cultural and tourism centre in Guangzhou.

The project was 100% handed over to buyers during FY2017.

### ***Ming Yue Jin An***

Located at Northern West Hengsha Village, Shijing Town Baiyun District, Guangzhou City, Guangdong Province, Ming Yue Jin An occupies a total site area and GFA of approximately 26,505 sq m and 50,350 sq m. It comprises 8 blocks of 12 to 15-storey apartments, 7 blocks of low-density villas with a clubhouse and an underground car park. The project, comprising 404 residential units, was completed in 2013.

As at 30 June 2018, Ming Yue Jin An has generated a total contracted sales of approximately RMB6.7 million, with 14 car parks sold.

With 66% of the total units handed over to buyers as at 30 June 2018, the value of pre-sale units not handed over to buyers stood at RMB2.1 million.

### ***Ming Yue Shui An***

Located at Yu'anwei Xilang Village, South of Huadi Avenue, Liwan District, Guangzhou City, Guangdong Province, Ming Yue Shui An is strategically located near the Huadi River and is in close proximity to the metro line and GZ-Foshan railway.

It occupies a site area and GFA of 48,194 sq m and 139,134 sq m respectively. It comprises 10 blocks of 5 to 30-storey apartments and commercial units with an underground car park. The project, comprising 605 residential units, was completed in 2013.

As at 30 June 2018, Ming Yue Shui An has generated a total contracted sales of approximately RMB123.4 million, with 44 residential units sold. During FY2018, 211 residential units had been handed over with a revenue of RMB503.2 million generated.

With 43% of the residential units handed over to buyers as at 30 June 2018, the value of pre-sale units not handed over to buyers stood at RMB136.7 million.

## Business and Financial Review

### ***Hou De Zai Wu***

Located at Tonghua City, Jiang Nan Xin Qu, Xiu Zheng Da Qiao Nan Ce, Jilin Province, Hou De Zai Wu is near the new economic and political centre.

It occupies a site area and planned GFA of approximately 224,677 sq m and 538,360 sq m respectively. The project comprises 47 blocks of 7 to 25-storey apartments with a total of 2,035 residential units, 656 commercial units and an underground car park.

As at 30 June 2018, Hou De Zai Wu has generated a total contracted sales of approximately RMB285.1 million, with 558 residential units sold. During FY2018, 752 residential units had been handed over with a revenue of RMB306.1million generated.

With 55% of the residential units handed over to buyers as at 30 June 2018, the value of pre-sale units not handed over to buyers stood at RMB449.4 million.

### ***Ren Jie Di Ling***

Located at North of Guangzhou Road, West of Zhanjiang Road, Rushan City, Shandong Province, Ren Jie Di Ling is located at the Shandong Golden Economic Circle and near the new railway cargo station.

It occupies a site area and GFA of 65,863 sq m and 214,322 sq m respectively. It comprises 4 blocks of 6 to 7-storey apartments and commercial units with an underground car park. Phase 1 of the 170 unit apartment had been launched in 2013. As at 30 June 2018, 29 units were sold and none of them has been handed over. These pre-sale units are expected to be handed over to buyers in FY2019.

### ***Batai Mountain Project***

This development site is located at Wanyuan City, Batai Town, Tianchiba Village, Sichuan Province and occupies a site area and GFA of approximately 231,137 sq m and 462,273 sq m. The project involves the development of a plot of land with an area of approximately 120sq km located in the vicinity of Batai Mountain National Park (八臺山國家地質公園) and Longtan River Scenic Area (龍潭河景區) with the long-term aim of developing a premier tourist attraction with an AAAAAA-grade national scenic area certification from the National Tourism Administration of PRC within 10 years.

This marks the Group's first tourism property project, with a mixture of residential, villa, hotel and commercial units under development since 2012. The National Park generated income of RMB16.6 million for FY2018.

### ***Huizhou Project***

This development side is located at Huizhou City, Boluo Country, Longxi Town, Honghuayuan of Hutou Village and occupies a site area of approximately 130,830 sq m.

During the year, the Group rented out the industrial buildings and generated rental income of RMB5.0 million.

## Business and Financial Review

### INVESTMENT PROPERTIES

The investment properties held by the Group have generated approximately RMB17.2 million of revenue for FY2018.

Properties		
1	Levels 1,2,4–8 and portions of Level 10 of Yuanbang Mansion	<p>These units are located at No. 599 Huangshi West Road, Baiyun District, Guangzhou City and occupy a GFA of 5,369.32. sq m.</p> <p>It was 71% occupied as at 30 June 2018, with the lease expiring dates from 31 December 2018 to 30 June 2023.</p>
2	4 units on Levels 1 and 2 of Yuanbang Aviation Homeland	<p>Located at Huangshi West Road, Baiyun District, Guangzhou City, the units occupy a GFA of 407.72 sq m and the units were 100% occupied as at 30 June 2018.</p>
3	176 retail units on Levels 1 to 3 of Ming Yue Xing Hui Building	<p>Located at No. 242 to 272 Wenchang North Road, Liwan District, Guangzhou City, the units occupy a GFA of 7,613.25 sq m.</p> <p>The units were 53% occupied as at 30 June 2018 with the lease expiring from 31 July 2018 to 31 May 2023.</p>
4	A parcel of land and various units located at Hong Hua Yuen Long Gong Cun Team Hu Tou Village	<p>Located at Long Xi Town, Boluo County, Huizhou City, the land occupies a GFA 66,664 sq m and the units occupy a GFA of 40,162.46 sq m.</p> <p>The units were 71% occupied as at 30 June 2018 with the lease expiring from 20 July 2018 to 15 March 2023.</p>
5	A parcel of land and various units located at Hong Hua Yuen Long Gong Cun Team Hu Tou Village	<p>Located at Long Xi Town, Boluo County, Huizhou City, the land occupies a GFA 66,666 sq m and the units occupy a GFA of 52,061.61 sq m.</p> <p>The units were 97% occupied as at 30 June 2018 with the lease expiring from 31 October 2018 to 30 November 2020.</p>

# Business and Financial Review

## FINANCIAL REVIEW

The Group's revenue for the year ended 30 June 2018 ("FY2018") was mainly contributed by the sales from Xilang Project namely Ming Yue Shui An (明月水岸), Hou De Zai Wu (厚德載物) Project in Tonghua City and Huadu Project (Phases I and II) namely Shan Qing Shui Xiu (山清水秀).

The Group's revenue amounted to RMB1,027.8 million for FY2018 which was RMB343.0 million higher compared to RMB684.8 million in FY2017.

The increase in revenue was mainly due to the significantly higher handovers in FY2018, including 211 residential units of Ming Yue Shui An and 525 residential units of Hou De Zai Wu.

The Group recorded cost of sales of RMB900.1 million for FY2018 which was RMB281.3 million higher compared to RMB618.8 million in FY2017. The increase in cost of sales by 45.5% was mainly attributable to increase in number of residential units handed over to customers. The Group also incurred a write-down of inventories of long aging carpark lots at Aqua Lake Project amounting to RMB5.2 million (FY2017: RMB2.7 million).

The Group recorded a gross profit of RMB127.7 million for FY2018 which was RMB61.7 million higher compared to RMB66.0 million in FY2017. Gross profit margin also increased to 12.4% in FY2018 from 9.6% in FY2017. The increase in gross profit margin was mainly due to higher gross profit margin arising from the Xilang Project, Ming Yue Shui An and Shan Qing Shui Xiu.

The Group recorded other income and gains of RMB43.9 million for FY2018 which was RMB1.5 million lower compared to RMB45.4 million in FY2017. The decrease was mainly attributable to the decrease in both the admission ticket sales and in-park recreation income of Batai Mountain National Park of RMB16.6 million (FY2017: RMB19.6 million) for the year. The decrease in ticket sales and in-park recreation income was due to the temporary halt of operations of the Batai Mountain National Park in 1H FY2018.

The Group recorded RMB4.5 million arising from fair value adjustments on the Group's investment properties in FY2018 compared to a gain of RMB53.6 million in FY2017 based on the valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited dated 29 August 2018. The fair value adjustments on investment properties decreased due to lower rental price increase on lease renewal.

The Group recorded selling expenses of RMB56.3 million for FY2018 which was RMB14.9 million higher compared to RMB41.4 million in FY2017. The increase was mainly attributable to higher sales commission expenses (FY2018: RMB40.7 million; FY2017: RMB14.1 million) in order to motivate the sales force to expend greater sales effort for Ming Yue Shui An, Hou De Zai Wu and Shan Qing Shui Xiu.

The Group recorded administrative expenses of RMB66.4 million for FY2018 which was RMB7.8 million lower compared to RMB74.2 million in FY2017. The decrease was mainly due to corporate cost savings arising from reduction of staff cost by eliminating redundancy between departments and reduced travelling expenses due to the implementation of cost control policies.

The Group recorded other operating expenses of RMB30.4 million for FY2018 which was RMB3.5 million higher compared to RMB26.9 million in FY2017. The amount mainly represented the direct expenses such as staff cost, repair and maintenance, amounting to RMB14.3 million (FY2017: RMB14.1 million) in relation to the Batai Mountain National Park.

## Business and Financial Review

The Group recorded finance costs of RMB2.3 million for FY2018 which was RMB0.1 million higher compared to RMB2.2 million in FY2017. The interest expenses were mainly attributable to the other borrowings which were used for working capital purposes during the year. Finance costs for borrowings which were used for project financing were capitalised under the relevant projects accordingly.

The Group recorded income tax expense of RMB74.5 million for FY2018 which was RMB27.1 million higher compared to RMB47.4 million in FY2017. The amount mainly represented the provision of PRC enterprise income tax ("EIT") of RMB39.1 million, land appreciation tax ("LAT") of RMB18.6 million and deferred tax expenses of RMB16.8 million provided for the year.

The increase in provision of PRC EIT from last year was due to the increase in assessable profits during the year. The provision of LAT was higher for FY2018 due to the significant appreciation of the properties in Ming Yue Shui An, Shan Qing Shui Xiu and Phase II of Aqua Lake Grand City.

The deferred tax expenses were due to tax losses expired in the current year.

Despite the Group recording a profit before tax of RMB20.8 million for FY2018, the Group eventually recorded a loss for the year of RMB53.7 million for FY2018 compared to RMB27.1 million in FY2017, mainly due to the significant increase in EIT and LAT incurred for FY2018.

### CASH FLOWS ANALYSIS

For FY2018, the Group recorded RMB195.8 million of cash inflow from operating activities which was mainly attributable to the increase in receipts in advance and decrease in properties held for sale.

Net cash outflow from investing activities in FY2018 of RMB16.9 million was mainly due to decrease in restricted bank deposits of RMB95.8 million.

Net cash outflow from financing activities in FY2018 of RMB428.0 million was mainly due to the repayments of bank and other borrowings and payment of interest.

As a result, the Group has a cash and cash equivalent of RMB180.3 million.

### FINANCIAL POSITION

#### Non-current assets

As at 30 June 2018, the Group had non-current assets of RMB842.1 million, representing an increase of RMB88.1 million compared to RMB754.0 million as at 30 June 2017. The increase was mainly attributable to an increase in deposit of RMB85.0 million and loan receivable of RMB18.8 million. The deposit of RMB85.0 million represents the refundable deposit made in relation for the possible acquisition of equity interest in a company that holds the development rights to a 32,566.64 sq m. land parcel in Huadu District of Guangzhou. The said transaction is awaiting approval from the relevant regulatory authorities to re-develop the land. The Company will make the appropriate announcement when the acquisition materializes.

The loan receivable of RMB18.8 million relates to an interest bearing development loan made to Kaiping Qingshi Auto Parts Co., Limited ("Kaiping Qingshi"), which the Executive Director of the Company, Mr. Zhou Jiangtao holds an effective 30.6% equity interest. The purpose of the loan was to fund the initial re-development of a parcel of land asset in Kaiping City of Guangdong Province hold by Kaiping Qingshi. It is the Group's intent to eventually participate in the redevelopment of the said land asset. The aforesaid interested party transaction is within the threshold limit set out in Chapter 9 of the Listing Manual of SGX-ST.

## Business and Financial Review

### Current assets

As at 30 June 2018, the Group's current assets stood at RMB4,084.2 million, representing a decrease of RMB517.1 million compared to RMB4,601.3 million as at 30 June 2017. The decrease was mainly attributable to the decrease in properties held for sale by RMB571.0 million which was partially offset by the increase in properties held under development by RMB378.8 million. The decrease in properties held for sale was mainly due to the 683 residential units handed over to customers during the year and the decrease in number of properties under development being reclassified to properties held for sale in FY2018.

The loan receivable represents the loan extended to Kaiping Qingshi which is repayable within 12 months and accrued interest receivable.

The decrease in current assets was also due to the decrease in cash and bank balances, which was mainly due to repayment of bank and other borrowings during the year.

### Current liabilities

As at 30 June 2018, the Group's current liabilities stood at RMB3,383.3 million, representing a decrease of RMB208.4 million, compared to RMB3,591.7 million as at 30 June 2017.

This was mainly due to the net effect of (i) an increase in accounts payable by RMB117.1 million due to the Group's subcontractors and suppliers; (ii) an increase in receipts in advance by RMB156.0 million due to pre-sale units of Shan Qing Shu Xiu; (iii) decrease in accruals, deposits received and other payables which included the accruals of construction cost and refundable deposits received from potential customers before entering sales and purchase agreements with the Group; and (iv) decrease of interest-bearing bank and other borrowings by RMB256.0 million due to repayment during the year.

### Non-current liabilities

As at 30 June 2018, the Group's non-current liabilities stood at RMB630.9 million, representing a decrease of RMB168.6 million, compared to RMB799.5 million as at 30 June 2017. This was mainly due to repayment of interest-bearing bank and other borrowings during the year.

### Total equity

As at 30 June 2018, the Group's equity stood at RMB912.0 million, representing a decrease of RMB52.1 million, compared to RMB964.1 million as at 30 June 2017. This was mainly due to the loss for the year.

# Projects Highlights

Name of property development/Location	Site area (sq m)	Planned GFA (sq m)	Type	Tenure	Effective equity interest (%)	Approximate percentage of handover (%)
<b>Completed development properties</b>						
<b>Yuanbang Aviation Homeland</b> (元邦航空家園) Huangshi West Road Baiyun District Guangzhou City Guangdong Province, PRC	34,398	127,999	R, C	R: 70 years  C: 40 years  Other uses: 50 years	96	100
<b>Yuanbang Mingyue Gardens</b> (元邦明月園) He'nan Chigang Haizhu District Guangzhou City Guangdong Province, PRC	13,843	65,527	R, C	R: 70 years  C: 40 years  Other uses: 50 years	100	100
<b>Aqua Lake Grand City</b> (綠湖豪城) Hongjiaozhou Honggutan New District Nanchang City Jiangxi Province, PRC	193,380	444,958	R, C, H	R: 70 years  C: 40 years  Other uses: 50 years	51	PI: 100%  R: 99.8%  PIII: 100%
<b>Ming Yue Xing Hui</b> (明月星輝) Wenchang North Road Liwan District Guangzhou City Guangdong Province, PRC	9,510	68,139	R, C	R: 70 years  C: 40 years  Other uses: 50 years	100	R: 100%  C: commenced leasing
<b>Ming Yue Jin An</b> (明月金岸) Northern West Hengsha Village Shijing Town Baiyun District Guangzhou City Guangdong Province, PRC	26,505	50,350	R, C	R: 70 years  C: 40 years  Other uses: 50 years	100	R: 99%
<b>Ming Yue Shui An</b> (明月水岸) Yu'anwei, Xilang Village South of Huadi Avenue Liwan District Guangzhou City Guangdong Province, PRC	48,194	139,134	R, C	R: 70 years  C: 40 years  Other uses: 50 years	100	R: 43%
<b>Total</b>	<b>325,830</b>	<b>896,107</b>				

## Projects Highlights

Name of property development/Location	Site area (sq m)	Planned GFA (sq m)	Type	Tenure	Effective equity interest (%)	Approximate percentage of handover (%)
<b>Properties under development</b>						
<b>Shan Qing Shui Xiu</b> (山清水秀) North Shangqian Tourist Avenue Qixin Village Furong Town Huadu District Guangzhou City Guangdong Province, PRC	269,572	351,594	R	R: 70 years	100	PI: 75%  PII: 84.7%  PIII: commenced pre sale
<b>Hou De Zai Wu</b> (厚德載物) Jiang Nan Xin Qu Xiu Zheng Da Qiao Nan Ce Tonghua City Jilin Province, PRC	224,677	538,360	R, C	R: 70 years  C: 40 years  Other uses: 50 years	51	R: 55%
<b>Ren Jie Di Ling</b> (人杰地靈) North of Guangzhou Road West of Zhanjiang Road Rushan City Shandong Province, PRC	65,863	214,322	R, C	R: 70 years  C: 40 years	75	R: commenced pre sale
<b>Batai Mountain Project</b> Tianchiba Village Batai Town Wanyuan City Sichuan Province, PRC	231,137	462,273	R, C, H	R: 70 years  C: 40 years  Other uses: 50 years	82	N/A
<b>Huizhou Project</b> Honghuayuan of Hutou Village Longxi Town Boluo County Huizhou City Guangdong Province, PRC	130,830	N/A	C	C: 50 years	75	N/A
<b>Total</b>	<b>922,079</b>	<b>1,566,549</b>				

R = Residential  
 C = Commercial  
 H = Hotel & Service Apartment

# Board of Directors

## MADAM LIN YEJU (林葉菊), AGE 49

### Non-Executive Chairman

Madam Lin was appointed as the Group's Non-Executive Director and Chairman of the Board on 5 February 2015 and was last re-elected on 26 October 2017. From 1990 to 1993, Madam Lin worked in Guangdong Hongda No. 6 Construction Company as Accounting Manager and was responsible for cash budgeting and fund raising. From 2008 to present, she is an Executive Director of the Group's subsidiary, Nanchang Changhao Real Estate Consultancy Co. Ltd. She is in charge of the sales and marketing activities of the Nanchang Project. Madam Lin is the spouse of Mr Chen Jianfeng, a substantial shareholder of the Company.

## MR. OUYANG SHENG (歐陽生), AGE 54

### Executive Director/Chief Executive Officer

Mr. Ouyang was appointed as the Group's Executive Director on 20 December 2006 and was last re-elected on 23 October 2015. Mr. Ouyang is also the Group's Chief Executive Officer since 8 May 2015. Mr. Ouyang is responsible for the Group's property development strategies as well as overseeing the day-to-day operations of the Group. Mr. Ouyang started his career as Engineering Vice-Manager in August 1984 with Jiangxi Fengcheng Mining Bureau (江西豐城礦務局). Subsequently, he joined the Group in September 1999 as a Quality Control Manager. Mr. Ouyang is currently a Construction Cost Engineer and a Senior Project Management Engineer of the People's Republic of China, Guangdong Province Human Resources Bureau (廣東省人事廳). He is also a Construction Enterprise Second Level Project Manager recognised by Coal Industry Basic Infrastructure Co. (煤炭工業基本建設司) and an economist of the People's Republic of China Human Resources Department (中國人民共和國人事部).

Mr. Ouyang graduated from Jiangxi Polytechnic University (江西工業大學) in July 1984 with a Bachelor's degree in Construction. Mr. Ouyang had also obtained a Bachelor degree in Economics from the China Coal Economics College (中國煤炭經濟學院) in July 1991. In 2010, Mr. Ouyang obtained a Master of Business of Administration from University of South Australia.

## MR. ZHOU JIANGTAO (周江濤), AGE 46

### Executive Director

Mr. Zhou was appointed as the Group's Executive Director on 8 December 2016 and was last re-elected on 26 October 2017. He is responsible for the Group's business development. Mr. Zhou started his career in October 1991 with Guangdong Kangli Electrical and Gas Group (廣東康立通用電器集團有限公司) as a Manager and. In December 1999, Mr. Zhou joined Guangdong Hongda Construction and Installation Engineering Co., Ltd. (廣東宏大建築安裝工程有限公司), where he held the position of Vice General Manager between March 2000 and August 2005, managing all aspects of the company's property construction projects.

Mr. Zhou graduated from the Guangdong National Defense Polytechnic University (廣東國防工業大學) in July 1991 where he obtained a Bachelor's degree in Automated Electrical Appliances. In October 2003, Mr. Zhou was certified as a qualified construction and utilities installation engineer by the Guangdong Province Human Resources Bureau (廣東省人事廳).

## Board of Directors

### **MR. TEO YI-DAR (張毅達), AGE 47**

#### **Independent Director**

Mr. Teo was appointed as an Independent Non-Executive Director on 26 March 2007 and was last re-elected on 26 October 2017. He is an Investment Partner at an international Private Equity firm. Mr. Teo has over fifteen years of private equity, venture capital and direct investment experience. He manages investments in ASEAN and China and has invested in a number of companies in the electronics, chemical, engineering, manufacturing and technology sectors. Mr. Teo is currently a Non-Executive Independent Director of Smartflex Holdings Ltd and Yangzijiang Shipbuilding (Holdings) Ltd, and a Non-Executive Director of HG Metal Manufacturing Limited, Denox Environmental Technology Holdings Limited and Penyao Environmental Protection Co Limited.

Mr. Teo graduated from the National University of Singapore with a Bachelor degree in Engineering in 1996. He also obtained a Master of Science in Industrial Systems Engineering in 1998 and a Master of Science in Applied Finance in 2000 from the same university. In 2001, Mr. Teo was recognised as a Chartered Financial Analyst by the CFA Institute.

### **MR. CHONG SOO HOON SEAN (張詩雲), AGE 43**

#### **Independent Director**

Mr. Chong was appointed as an Independent Non-Executive Director on 13 March 2015 and was last re-elected on 23 October 2015. Mr. Chong is currently the Managing Director of Anda Capital Solutions Pte. Ltd., a business advisory and investment firm. He has more than 15 years of experience in investment banking, corporate advisory and direct investment, in particular, he was actively involved in a broad range of corporate finance transactions for listed and private entities throughout the Asia-Pacific region, including initial public offers, mergers and acquisitions, rights issues and other corporate advisory work. Mr. Chong is currently a Non-Executive Independent Director of SMJ International Holdings Limited (a company listed on Catalist).

Mr. Chong graduated with a Bachelor (Honours) degree in Accounting and Financial Studies from University of Exeter, United Kingdom.

### **MR. XIA WEICHANG (夏偉昌), AGE 61**

#### **Independent Director**

Mr. Xia was appointed as an Independent Non-Executive Director on 13 March 2017 and was last re-elected on 26 October 2017. In 1995-2000, Mr. Xia was the Principal of Dongshan Architects & Engineers Institute (廣州市東山建築設計院). He is currently the Chief Engineer of Guangzhou Shanding Architectural Design Consulting Limited (廣州市山鼎建築設計諮詢有限公司). He has over 20 years' experiences in architectural sectors and involved in various projects including residential units, commercial buildings, industrial parks and airport buildings.

Mr. Xia graduated from South China University of Technology with a Bachelor degree in Engineering.

# Key Management Personnel

## **MR. HUANG TAK WAI (黃德威), AGE 32**

### **Chief Financial Officer/Company Secretary**

Mr. Huang joined our Group as Chief Financial Officer/Company Secretary on 17 May 2018. He is responsible for the preparation of all of the Group's financial statements as well as reviewing and developing effective financial policies and control procedures within the Group. Mr. Huang has ten years of experience in accounting and auditing. Prior to joining the Group, he worked in an international accounting firm in Hong Kong. Mr. Huang graduated from The University of Sydney in 2008 with a bachelor's degree in Commerce (Accounting and Finance). He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and Certified Practising Accountants Australia.

## **MR. HE HONGYAN (何洪燕), AGE 52**

### **Finance Manager**

Mr. He joined our Group in August 2006. He is responsible for the finance and accounting matters of the Group. He worked as assistant manager in the internal audit department from July 2014 to November 2016. He becomes the finance manager of the Group since November 2016. Mr. He obtained a certificate of accounting professional and a certificate of accounting (mid-level) issued by Ministry of Finance of the People's Republic of China (中華人民共和國財政部). He has over 15 years experiences in accounting sector.

## **MS. LONG XIAOLIN (龍曉霖), AGE 35**

### **Human Resources Manager**

Ms. Long joined our Group in 2011. She is responsible for the human resources matters of the Group. Ms. Long was a marketing executive and was promoted to marketing manager at a food manufacturing and processing company from 2005 to 2011. She worked in the human resources department of the Group since 2011. She was promoted as the human resources manager since 2016. Ms. Long graduated from Sun Yat-Sen University in July 2005 where she obtained a bachelor of philosophy.

# Corporate Governance Report

The Board of Directors (the “Board”) of China Yuanbang Property Holdings Limited (the “Company”) is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the “Group”), where possible, through the implementation of self-regulatory and monitoring mechanisms within the Group.

The Board has taken steps to align the Group’s governance framework with the recommendations of the Code of Corporate Governance 2012 (the “CG2012”), where applicable, relevant and practicable to the Group. Any deviation from the guidelines of the CG2012 or areas of non-compliance are provided.

With the issuance of the revised Code of Corporate Governance (“2018 Code”) by the Monetary Authority of Singapore on 6 August 2018 which will take effect for annual reports covering financial years commencing from 1 January 2019, the Group will review and implement measures to comply with the 2018 Code, where appropriate.

## BOARD MATTERS

### Principle 1: The Board’s Conduct of Affairs

The Board oversees the business and corporate affairs of the Group. It sets the Group’s strategic direction and vision and directs the Group’s overall strategy, policies, business plans, as well as, stewardship and allocation of the Group’s resources. Board members are expected to use reasonable diligence in discharging their duties and act in good faith and exercise independent judgement in the best interests of the Group at all times.

The Board’s role includes:

- (i) providing effective leadership, reviewing and approving strategic plans, annual budget, major objectives, investing and funding activities;
- (ii) overseeing the process related to risk management and internal controls, financial reporting and compliance including approving and release of financial results and announcements of material transactions;
- (iii) approving compensation policies for key management personnel;
- (iv) reviewing and monitoring the Group’s performance towards maximizing shareholders’ value;
- (v) declaring interim and final dividends;
- (vi) approving the appointments/re-elections of Directors and appointment of key management personnel;
- (vii) overseeing the proper conduct of the Group’s business, setting the Group’s values and standards and assuming responsibility for corporate governance; and
- (viii) identifying key stakeholder groups and recognise that their perceptions affect the Company’s reputations.

The Board objectively makes decisions in the interests of the Group. The Board is supported by the Audit Committee (“AC”), Remuneration Committee (“RC”), Share Option Scheme Committee and Nominating Committee (“NC”). The Board accepts that while these Board Committees have the power to make decisions or execute actions or make recommendations in their specific areas respectively, the ultimate responsibility rests with the Board.

The Board and Board Committees meetings are scheduled in advance to coincide with the release of the announcements of the Group’s quarterly and year-end results. As and when required, additional Board meetings will also be held to address significant transactions or issues that arise in between the scheduled meetings. The Bye-laws of the Company provide for the attendance at meetings by the Directors through teleconferencing or video-conferencing. Directors who are unable to attend any unscheduled or ad hoc Board meetings which are convened on short notice will be able to participate in the meeting via such means.

## Corporate Governance Report

When circumstances require, the Directors may also request for further explanation, briefing or discussion on any aspect of the Group's operations or business from Management and/or exchange views outside the formal environment of Board meetings.

All the Board Committees consist of a majority non-executive Directors. Further details of the scope and functions of the various Board committees are set out in the later part of the Report.

The Board has delegated day-to-day operations to Management, while reserving certain key matters for its approval. The Company has put in place an Authorisation Matrix setting out the approving authority and limit guidelines, in particular the level of authorisation required for specified transactions, including those that require Board approval. Matters that specifically require Board approval are the Group's financial results, annual budgets, annual reports, financial statements, interested person transactions, acquisitions and disposal of assets, corporate or financial restructuring, dividend payments and the convening of members' meetings. Board approval is also required for any matters which are likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business.

Details of Board and Board committee meetings held during FY2018 are disclosed in the table below:

Meeting	Board	Audit Committee	Nominating Committee	Remuneration Committee
<b>Total held in FY2018</b>	4	4	1	1
Lin Yeju	3	N/A	N/A	N/A
Ouyang Sheng	4	N/A	N/A	N/A
Zhou Jiangtao	4	N/A	N/A	N/A
Teo Yi dar	4	4	1	1
Chong Soo Hoon Sean	4	4	1	1
Xia Weichang	4	4	1	1

N/A: Not applicable

1. There was no Share Option Committee meeting held for FY2018.

The Group encourages Directors to receive regular training and updates on relevant laws and regulations and to participate in conferences, seminars or any training programme to equip them with the relevant knowledge to discharge their duties and responsibilities as Directors in an effective and efficient manner. Relevant updates and/or news releases issued by the SGX-ST will also be circulated to the Board for information.

Pursuant to the Guideline 1.6 of the CG2012, a majority of directors had participated in various continuous professional development programmes such as attending internal briefing sessions in relation to the corporate governance, attended relevant seminars or conference to develop professional skills and knowledge, and read materials in relation to regulator updates.

All Directors have been updated on the latest developments regarding the Singapore Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary. For FY2018, an training session conducted by the Company's legal advisor was held to refresh key essentials of the SGX-ST listing rules for the Directors and key management.

# Corporate Governance Report

Newly appointed Directors are given letters of appointment setting out the terms of their appointment and their duties and obligations. These Directors would also be briefed on the business activities and the strategic directions and policies of the Group. Directors who do not have prior experience or are not familiar with the duties and obligations required of a director of a listed company in Singapore, will undergo the necessary training and briefing. There were no new directors appointed during FY2018.

Independent Directors of the Company have the opportunity to visit the Group's various project sites to understand the status of the various property developments. The Independent Directors also have the opportunity to meet with Management to gain a better understanding of the Group's business operations. In addition, the Independent Directors regularly meet and communicate without the presence of Management.

## Principle 2: Board Composition and Guidance

The Board currently consists of six members, three of whom are independent.

### Non-Executive Director

Lin Yeju (*Chairman*)

### Executive Directors

Ouyang Sheng

Zhou Jiangtao

### Independent Directors

Teo Yi-Dar

Chong Soo Hoon Sean

Xia Weichang

The current Board comprises persons who as a group provide a balance of skills, experience and gender (1 female Director on the Board) as well as core competencies necessary to meet the Group's objectives. None of the Directors on the Board are related and do not have any relationship with the Group or its related companies or its 10% shareholders or its officers who could interfere or to be reasonably perceived to interfere with the exercise of their independent judgements, save for Madam Lin Yeju, who is the spouse of Mr. Chen Jianfeng, a substantial shareholder of the Company. Madam Lin is also an Executive Director of one of the Group's subsidiaries. Currently, there is no alternate Director appointed.

The Board, with the concurrence of the NC, is of the view that the current size of the Board is appropriate for the time being for the Board to discharge its duties and responsibilities effectively taking into account the nature and scope of the Group's operations. Each Director has been appointed on the strength of his calibre, experience and stature and is expected to bring a diversity of experience and expertise to contribute to the development of the Group's strategy and performance of its business.

The Independent Directors' views and opinions provide alternative perspectives to the Group's business and enable the Board to make informed and balanced decisions. When reviewing Management proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.

The Lead Independent Director, Mr Teo Yi-Dar, would be available to shareholders where they have concerns, if any, and for which contact through the normal channels of the Chairman, CEO or Chief Financial Officer has failed to resolve or inappropriate.

# Corporate Governance Report

## Principle 3: Chairman and Chief Executive Officer (“CEO”)

The posts of Chairman and CEO are held by Madam Lin Yeju and Mr. Ouyang Sheng respectively and they are not related to each other.

There is a clear separation of the roles and responsibilities between the Chairman and the CEO. Madam Lin Yeju, the Non-Executive Chairman, provides leadership to the Board. She sets the meeting agenda in consultation with the CEO and CFO and also ensures that Directors are provided with accurate, timely and clear information. The Chairman also oversees the compliance with the corporate governance guidelines.

Mr. Ouyang Sheng works on the Group’s property development strategies, identifying new business opportunities and overseeing the day-to-day operations of the Group.

All major decisions made by the CEO have to be endorsed by the Board. There is an independent element on the Board with the three Independent Directors out of six Directors of the Company to enable independent exercise of objective judgement in the affairs of the Group. As such, the Board believes that there are adequate safeguards and checks in place to ensure that the decision-making process by the Board is independent and based on collective decision-making, without any one person being able to exercise considerable concentration of power or influence.

## Principle 4: Board Membership

The NC is regulated by a set of written terms of reference. The NC comprises all independent Directors. Members of the NC are:

Chong Soo Hoon Sean (*Chairman*)  
Teo Yi-Dar  
Xia Weichang

The NC meets at least once a year.

The principal functions of the NC are as follows:

- (a) review and determine the appropriate size and structure for the Board, taking into account the scope and nature of operations of the Group;
- (b) review and recommend to the Board nomination of Directors to fill up any vacancies in the Board;
- (c) review and recommend for re-appointment and re-election to the Board, having regard to the Director’s contribution and performance (eg. attendance, level of participation, business performance of the Group);
- (d) ensure that all Directors submit themselves for re-election at regular intervals;
- (e) assess the effectiveness of the Board and Board committees;
- (f) review and evaluate whether or not a Director is able to and has been adequately carrying out his/her duties as Director of the Company, particularly competing time commitments that are faced when the Directors have multiple Board representations;
- (g) review on an annual basis the independence of Directors, bearing in mind the circumstances set forth in the CG2012 and any other salient factors;

## Corporate Governance Report

- (h) review succession plans, in particular, for the Chairman and the CEO; and
- (i) oversee the induction, orientation and training for any new and the existing Directors.

In accordance with the Company's Bye-Laws, each Director is required to retire at least once in every three years and all newly appointed Directors by the Board will have to retire at the next Annual General Meeting ("AGM") following their appointments. The retiring Directors are eligible for re-election as Directors at the AGM.

Pursuant to Bye-law 86(1) of the Company's Bye-laws, Mr Ouyang Sheng and Mr Chong Soo Hoon Sean ("Mr Sean Chong") will be retiring at the forthcoming AGM. Both Mr Ouyang Sheng and Mr Sean Chong Dar have signified their consent to remain in office.

The NC having considered the attendance, participation and candour of Mr Ouyang Sheng and Mr Sean Chong at the Board and Board Committees meetings, in particular, their contributions to the oversight, management of the decision-making process regarding the business and operations of the Group, had nominated them for re-election at the forthcoming AGM.

The Board has accepted the NC's recommendation. Mr Ouyang Sheng and Mr Sean Chong have abstained from voting on any resolutions and/or participation in the deliberations regarding their respective re-election as a Director.

Key information regarding the Directors are provided on pages 19 to 21 of this Annual Report.

On competing time commitments faced by Directors who have multiple Board representations, the NC besides procuring written confirmations from the Independent Directors of the Company, the NC also considered their level of participation at meetings and whether they have given sufficient time and attention in addressing matters or issues raised to the Board.

The NC is of the view that putting a maximum limit on the number of listed company board representations is arbitrary, given that time requirements for each company vary, and every individual is made differently, thus one should not be presumptive as sufficiency of time cannot be objectively determined in all situations. The Board and the NC have concluded that such multiple Board representations, if any, do not hinder each Director from carrying out his duties as a Director of the Company and satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Company.

The NC had reviewed the independence of the Board members and had determined Mr. Teo Yi-Dar, Mr. Xia Weichang and Mr. Sean Chong to be independent and free from any of the relationships outlined in the CG2012 that could interfere with the exercise of their independent judgements. The Independent Directors are required to declare their independence annually, and disclose any relationships or appointments which would impair their independence to the Board.

The CG2012 provides that the independence of Directors who have served on the Board for more than nine years from the date of their first appointment be subject to rigorous review. Mr Teo Yi-Dar had served on the Board for 11 years. In furtherance to rigorous review of independence of Independent Directors, the NC had adopted an internal checklist whereby the internal assessment criteria were enhanced, in reviewing a Director's independence when he or she has served the Board for more than 9 years. The concerned Director is also required to complete the same checklist and submit it to the NC for deliberation. Factors considered in the checklist include questions on business or personal dealings, family connections and level of objectivity demonstrated at meetings.

## Corporate Governance Report

Taking into account the views of the NC, the Board has also reviewed and considered Mr Teo Yi-Dar to be independent after having determined that he has no relationship with the Company, its related corporations, its 10% shareholders or its officers that he could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interest of the Company. Mr Teo Yi-Dar has throughout his appointment, demonstrated strong independence in character and judgement in the discharge of his responsibilities as Director of the Company. He has continued to express his individual viewpoints, debated issues and objectively challenged Management's proposals and decisions. He had sought clarification and amplification as he deemed required. The NC opined that the continued appointment of Mr. Teo Yi-Dar would add significant value and provide some level of continuity and stability of the Board for effective decision-making.

The NC has put in place a "Process for Selection and Appointment of New Directors", which provides the procedure for identification of potential candidates, evaluation of candidates' skills, knowledge and experience, assessment of candidates' suitability and recommendation for nomination to the Board. The NC reviews the needs of the Board by considering the scope and nature of the operations of the Group and also assesses whether additional competencies are required in the area where the appointment of new Directors is concerned.

Prospective candidates are sourced through recommendation from Board members, business associates or professional search firms. The curriculum vitae and other particulars/documents of the nominee or candidate will be reviewed by the NC. Potential candidates are then short-listed by the NC and interviewed by the NC before making a recommendation for appointment to the Board.

In reviewing and recommending to the Board any new Director appointments, the NC considers: (a) the candidate's independence, in the case of the appointment of an Independent Director; (b) the composition requirements for the Board or Board Committees as the case may be; (c) the candidate's track record, experience and capabilities and such other relevant factors as may be determined by the NC which would contribute to the Board's collective skills; and (d) any competing time commitments if the candidate has multiple board representations.

In the case of the appointment of an Executive Director, he will be provided a service agreement for an initial period of one year, setting out the terms and conditions of his appointment, while for a Non-Executive Independent Director, a formal letter of appointment will be issued, setting out the terms and conditions of his appointment.

### **Principle 5: Board's and Board Committees' Performance**

The NC has adopted a formal system of evaluation of the Board as a whole on an annual basis as well as Board Committees' evaluation for FY2018.

The NC believes that it is more appropriate to assess the Board and Board Committees as a whole, rather than assessing individual Directors, bearing in mind that each member of the Board contributes in different ways to the effectiveness of the Board. Each individual Director is evaluated on his or her contributions to the proper guidance, diligent oversight and able leadership, and the support that he or she lends to Management in steering the Group.

All Directors are required to complete the Evaluation Questionnaires in respect of the Board and each Board Committee.

The Board Evaluation Questionnaire takes into consideration factors such as Board size and composition, information flow to the Board, Board procedures, Board accountability, matters concerning CEO/Senior management and standard of conduct of the Board members.

# Corporate Governance Report

The respective Board Committees Evaluation Questionnaires focus on a set of criteria, which includes membership, conduct of the committee's meetings, training and resources, fulfillment of its duties and responsibilities in accordance with its terms of reference, standards of conduct and communications with shareholders. The performance criteria will not be changed from year to year unless circumstances deem it necessary for any of the criteria to be changed and the onus should be on the Board to justify the decision.

The evaluation exercise provided feedback from each Director, his views on the Board and Board Committees, procedures, processes and effectiveness of the Board and Board Committees as a whole. The results of the Board and Board Committees Performance Evaluation were collected and presented to the NC for discussion together with comparatives from the previous year's results.

The NC is generally satisfied with the Board and Board Committees' evaluation results for FY2018. The results of the annual assessment of the Board and Board Committees revealed consistently good ratings. There were indications of areas of strengths and those that could be improved further. No significant problems had been identified. The NC had discussed the results with the Board and the Board had agreed to work on these areas that require improvements. The NC would continue to evaluate the process for such review, its effectiveness and development from time to time. There was no external facilitator appointed for the Board and Board Committees' evaluations.

## Principle 6: Access to Information

Management provides the Board with adequate and timely information and updates on initiatives and developments for the Group's business whenever possible. However, sensitive matters may be tabled or discussed at the Board meetings without any meeting papers distributed. The Board receives monthly management accounts of the Group's principal subsidiaries to enable them to oversee the Group's operational and financial performance. The CEO also updated the AC and Board at each meeting on the Group's property projects developments status.

The Board has independent and separate access to Management and the Company Secretary. All Directors have unrestricted access to the Group's information and all minutes of meetings held by the Board. Management staff are invited to attend Board meetings, as and when appropriate, to provide additional insight to matters raised, and to respond to any queries that the Board members may have.

The Company Secretary attends all meetings of the Board and Board Committees and ensures that the meetings are conducted in accordance with the Bye-Laws of the Company and applicable rules and regulations are complied with. The Company Secretary also prepares agenda papers for Board and Board Committee meetings in consultation with the Chairman and the Chairman of Board Committees, and ensures that information flow within the members of the Board and the Board Committees, as well as between the senior management and Independent Directors. The appointment and removal of the Company Secretary is subject to Board approval.

All Directors are updated on an on-going basis via Board meetings and/or circulars on matters relating to, *inter alia*, changes to the regulations of SGX-ST, accounting standards and/or other statutory requirements. When necessary, the Board may seek independent professional advice at the Company's expense.

## REMUNERATION MATTERS

### Principle 7: Procedures for Developing Remuneration Policies

The RC, regulated by a set of written terms of reference, comprises entirely of the following Independent Directors:

Xia Weichang (*Chairman*)  
Chong Soo Hoon Sean  
Teo Yi-Dar

The RC meets at least once annually.

The principal functions of the RC are as follows:

- (a) recommend to the Board a framework of remuneration for the Directors, CEO and key management personnel;
- (b) determine specific remuneration packages and terms of employment for each Director, CEO and key management personnel, including renewal of service agreements;
- (c) review and recommend Directors' fees for Independent Directors, taking into account factors such as their effort and time spent and their responsibilities;
- (d) recommend to the Board long term incentive schemes which may be set up from time to time;
- (e) review whether the Executive Directors, CEO and key management personnel should be eligible for benefits under any long-term incentive schemes which may be set up from time to time; and
- (f) carry out other duties as may be agreed by the RC and the Board.

There was no external expert advice sought for FY2018. The RC will seek external expert advice on remuneration matters if and when required.

### Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the Group's relative performance and the performance of the individuals concerned are considered. In view of the Group's performance for FY2018, no variable component payouts were proposed for the Executive Directors and key management personnel.

The Independent Directors receive directors' fees taking into account various factors such as their contributions, effort and time spent, work undertaken and their responsibilities. The RC had recommended an amount of S\$130,000 as Directors' fees for the financial year ending 30 June 2019, payable half-yearly in arrears. The Directors' fees are subject to approval by shareholders at the Company's forthcoming AGM.

The Executive Directors do not receive Directors' fees. The employment of the Executive Directors are on a 1-year term pursuant to their respective service agreements and are automatically renewed annually.

The Non-Executive Chairman, Madam Lin Yeju, is not entitled to Director's fee as she is remunerated from the Group's subsidiary for her executive role.

No Director is involved in deciding his own remuneration. Each of Mr Teo Yi-Dar, Mr Sean Chong and Mr. Xia Weichang being RC members, abstained from deliberation and voting in respect of their own remuneration.

## Corporate Governance Report

In the service agreements of the Executive Directors, there is a termination/resignation notice period of not less than three months and do not contain onerous removal clauses. The service agreements may also be terminated if any of the Executive Directors commits a breach of the service agreements, such as being convicted of an offence involving fraud or dishonesty or being an adjudicated bankrupt. The Company does not have any contractual provisions in the service agreements of the Executive Directors to allow the Company to reclaim incentive components of remuneration in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. The RC will when appropriate, review the need to adopt such provisions.

### Principle 9: Disclosure on Remuneration

The level and mix of each individual Director's and the CEO's remuneration for FY2018 is as follows:

Directors	Directors' fees RMB'000	Salary RMB'000	Bonus RMB'000	Benefits <sup>1</sup> RMB'000	Total RMB'000
Lin Yeju	–	396	–	37	433
Ouyang Sheng	–	626	–	37	663
Zhou Jiangtao	–	432	–	9	441
Teo Yi-Dar	275	–	–	–	275
Chong Soo Hoon Sean	250	–	–	–	250
Xia Weichang	125	–	–	–	125

Note 1: compulsory payment of social insurance in China.

As part of its responsibilities, the RC reviews the remuneration of each of the Directors and key management personnel's remuneration packages annually and makes recommendations to the Board for approval. The RC ensures that their remuneration commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

### The Group's Key Management Personnel in Remuneration Band

	Salary	Bonus	Benefits	Total
<b>Below S\$250,000</b>				
Tse Kwok Hing, Henry, CFO and Company Secretary (Resigned on 17 May 2018)	100%	–	–	100%
Huang Tak Wai, CFO and Company Secretary (Appointed on 17 May 2018)	100%	–	–	100%
He Hongyan, Finance Manager	100%	–	–	100%
Long Xiaolin, Human Resources Manager	100%	–	–	100%

Notwithstanding Guideline 9.3 of the CG2012, there was only three key management personnel (who are not Directors or the CEO) during FY2018.

The total remuneration paid to the above Group's key management personnel was RMB1,328,000 for FY2018. There are no post-employment benefit granted to the Directors, the CEO and the top three key management personnel.

There are no immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the year.

# Corporate Governance Report

## **The China Yuanbang Share Option Scheme**

The China Yuanbang Share Option Scheme (the "Scheme") was approved and adopted by the shareholders of the Company at a Special General Meeting on 28 June 2010. The objectives of the Scheme adopted are as follows:

- (a) to motivate each participant to optimise his performance standards and efficiency and to maintain a high level of contributions to the Group;
- (b) to retain key employees of the Group whose contributions are essential to the long-term growth and profitability of the Group;
- (c) to instill loyalty and a stronger identification by the participants to the long-term prosperity of the Company;
- (d) to attract potential employees with relevant skills and experience to join and contribute to the Group and to create value for the shareholders of the Company;
- (e) to align the interests of the participants with the interests of the shareholders of the Company; and
- (f) to recognise the contributions of the Non-Executive Directors to the success of the Group.

The Scheme is administered by the Share Option Scheme Committee comprising the following persons:

Teo Yi-Dar (*Chairman*)  
Chong Soo Hoon Sean  
Xia Weichang

The Share Option Scheme Committee has the power to determine, *inter alia*, the eligible persons to be granted options under the Scheme, the number of options to be granted, the quantum of discount to the exercise price of options granted, if any, and to recommend any modifications to the Scheme, where necessary.

There were no options granted during FY2018.

Please refer to pages 39 to 40 for details of the Scheme.

## **ACCOUNTABILITY AND AUDIT**

### **Principle 10: Accountability**

Management is accountable to the Board and presents to the Board the quarterly and full-year results and the AC reports to the Board on the results for review and approval. The Board approves the results and authorizes the release of results to the SGX-ST and the public via SGXNET.

In line with the SGX-ST listing requirements, negative assurance statements were issued by the Board to accompany its quarterly financial results announcements, confirming to the best of its knowledge that, nothing had come to its attention would render the Company's quarterly results to be false or misleading.

The Group ensures that price sensitive information is publicly released, either before the Group meets any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports are announced or issued within the mandatory period.

# Corporate Governance Report

In presenting the annual financial statements and quarterly announcements to shareholders, the Board aims to provide shareholders with detailed analysis, explanations and assessments of the Group's financial position and prospects.

Besides providing the Board with quarterly management accounts of the Group's principal subsidiaries, continual updates on matters affecting the financial performance and business of the Group, if such matters occur, are also provided to the Board on a timely basis.

## Principle 11: Risk Management and Internal Controls

### Principle 13: Internal Audit

The Board acknowledges that it is responsible for ensuring the Group has in place a sound system of internal controls. It is however, impossible to preclude all errors and irregularities, as a system is designed to manage rather than eliminate risks, and therefore can provide only reasonable and not absolute assurance against material misstatements or losses, errors or misjudgments, fraud or other irregularities.

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management has adopted a Risk Management framework ("the Framework"). The Framework is reviewed on a half-yearly basis taking into account changes in the business and operation environments. A risk register identifying the key risks, determining key owners for the risks identified and the mitigation controls were put in place. Management reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

To ensure that internal controls and risk management processes are adequate and effective, the Group has engaged Mazars CPA Limited, the Group's internal auditors ("IA") to review the risk management process during the year. This is on top of the annual internal audit of the Group which covers the review of financial, operational and compliance controls functions of the Group. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by Management on the recommendations made by the internal and external auditors. Having considered the Group's business operations as well as its existing internal control and risk management systems, the Board is of view that a separate risk committee is not required for the time being.

### Internal Audit

The internal audit function is outsourced to Mazars CPA Limited. The IA reports directly to the Chairman of the AC on audit matters and to Management on administrative matters. The role of the IA is to support the AC in ensuring that the Group maintains a sound system of internal controls by monitoring and assessing the effectiveness of key controls and procedures and undertaking investigations as directed by the AC. The AC assesses the adequacy and effectiveness of the internal audit function on an annual basis. For FY2018, the AC is satisfied with the adequacy and effectiveness of the internal audit function.

Based on the various management controls in place, the reports from the internal and external auditors and reviews by Management, the Board with the concurrence of the AC is of the opinion that the Group's risk management and internal controls systems addressing the financial, operational, compliance and information technology control risks were adequate and effective during the year. Management would continue to focus on improving the standard of internal controls and corporate governance.

# Corporate Governance Report

As required under the CG2012, the Board has received a written assurance from the CEO and CFO that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the Company's risk management and internal control systems are adequate and effective.

## Principle 12: Audit Committee

The AC comprises three members, all of whom are Independent Directors:

Teo Yi-Dar (*Chairman*)

Xia Weichang

Chong Soo Hoon Sean

The AC members have numerous years of experience in senior management positions and have sufficient financial management expertise to discharge their responsibilities.

The AC will meet quarterly in a year and as and when deemed appropriate to carry out its functions.

The AC assists the Board in discharging its responsibilities to safeguard the Group's assets, maintaining adequate accounting records, and developing and maintaining an effective system of internal controls, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group.

For FY2018, the AC has performed the following in accordance with its terms of reference:

- (a) met with both the internal and the external auditors to review the audit plans, and discussed the results of their audit findings, evaluation of the Group's system of internal accounting controls, their letter to Management and Management's response;
- (b) reviewed the Group's financial results and announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audits, compliance with accounting standards, the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;
- (c) in the review of the financial statements for FY2018 the AC had discussed with Management and the external auditors on significant issues, assumptions that impact the financial statements and key audit matters. The key audit matters are disclosed in pages 49 to 50 under the Auditor's Report;
- (d) reviewed with the internal auditors, the internal control procedures and ensured co-ordination between the internal and external auditors and Management, and reviewed the assistance given by Management to the auditors, and discussed problems and concerns, if any;
- (e) met with the internal and external auditors, without the presence of Management. Both the internal and external auditors had confirmed that they had received the full co-operation of Management and no restrictions were placed on the scope of the respective audits;
- (f) conducted a review of the non-audit services provided by the external auditors. The AC had noted that no non-audit services were rendered by the external auditors during the year under review and the external auditors had affirmed their independence in this respect. The audit fees paid to the external auditors for FY2018 amount to approximately RMB1,080,000;

## Corporate Governance Report

- (g) considered the appointment or re-appointment of the internal and external auditors and made recommendations to the Board on their nomination for re-appointment, as well as reviewing their remuneration;

The AC had recommended the re-appointment of BDO Limited, Certified Public Accountants, Hong Kong (“BDO HK”) and BDO LLP, Public Accountants and Chartered Accountants, Singapore (“BDO LLP”), to act jointly and severally as the Company’s Auditors to comply with Rule 712 of the SGX-ST Listing Manual in relation to the appointment of a suitable auditing firm to meet the Company’s audit obligations at the forthcoming AGM of the Company. The AC was satisfied that the resources and experience of BDO HK and BDO LLP, the Audit Engagement Partners and their team assigned to the audit were adequate to meet its audit obligations given the size and complexity of the Group;

- (h) reviewed Interested Person Transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- (i) reviewed arrangements by which staff of the Group and any other person may in confidence, raise concerns about fraudulent activities, malpractices or improprieties within the Group which may cause financial or non-financial loss to the Company, in a responsible and effective manner. The Group has in place a whistle-blowing policy to ensure independent investigations of such matters and for appropriate follow up action. There was no incident of whistle-blowing reported for FY2018;
- (j) reviewed the risks profile register documented and maintained by Management;
- (k) kept abreast of accounting standards and issues that could potentially impact the Group’s financial reporting through quarterly updates and advice from the external auditors; and
- (l) confirmed that the Company had complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm to audit its accounts and its foreign-incorporated subsidiaries. The Group’s significant subsidiaries are disclosed under Note 12 to the Financial Statements on pages 96 to 97 of this Annual Report.

In the review of the financial statements for FY2018, the AC has discussed with both Management and the external auditors the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The AC had reviewed, amongst other matters, the following key audit matters as reported by the external auditors for FY2018:

### **Key Audit Matters**

1. *Assessment of net realisable value of properties held under development and properties held for sale*

The Group has significant properties held under development and properties held for sale in the People’s Republic of China (the “PRC”) which together represent the largest category of assets on the consolidated statement of financial position at approximately RMB3,088 million in aggregate as at 30 June 2018.

Properties held under development and properties held for sale are stated at the lower of their costs and their net realisable values.

The determination of the estimated net realisable value of these properties held under development and properties held for sale involves significant judgement and is critically dependent upon the Group’s estimation of future selling prices of these properties and costs to be incurred to complete their projects.

# Corporate Governance Report

## 2. *Valuation of investment properties*

The Group owns a portfolio of investment properties located in the PRC. Investment properties were significant to the Group which amounted to approximately RMB587 million as at 30 June 2018.

These investment properties are stated at their fair values as estimated by management. Management's estimation of the fair values of the investment properties are supported by valuations performed by an independent external valuer on the investment properties at the end of the reporting period.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to changes in key assumptions, such as the capitalisation rate, reversionary yield and vacancy rate.

In assessing the Key Audit Matters, the AC took into consideration the approach, methodology and the key assumptions applied in the review of the Key Audit Matters. Based on its review as well as discussion with management and the external auditors, the AC is satisfied that the Key Audit Matters have been properly dealt with.

### **Principle 14: Shareholder Rights**

### **Principle 15: Communication with Shareholders**

### **Principle 16: Conduct of Shareholder meetings**

In line with continuous disclosure obligations pursuant to the SGX-ST listing requirements, the Group is mindful of the need to have regular and proactive communication with its shareholders. It is the Board's policy that the shareholders be informed of the major developments that impact the Group. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as promptly as possible.

Information is communicated to shareholders on a timely basis through:

- (a) SGXNet announcements and press releases, if any;
- (b) annual reports or circulars that are prepared and issued to all shareholders;
- (c) quarterly and annual financial statements containing a summary of the financial information and affairs of the Group for the period under review;
- (d) notices of and explanatory notes for AGM and Special General Meetings; and
- (e) corporate website of the Company at <http://www.yuanbang.com>

The Company will review the need for analyst briefings, investor roadshows or Investors' Day briefings when the Group's financial performance improves.

# Corporate Governance Report

At the AGM, shareholders will be given the opportunity to voice their views and to seek clarification on issues relating to the Group's business outlined in the AGM notice. Shareholders are encouraged to attend shareholders' meetings to put forth any questions they may have on the motions to be debated and decided upon. If any shareholder is unable to attend these meetings, he is allowed to appoint up to 2 proxies to vote on his behalf at the meeting through proxy forms which are sent together with the Annual Reports or Circulars. The duly completed and signed proxy form must be submitted at least 48 hours before the shareholders' meeting at the Company's Share Transfer Agent's address. At shareholders' meeting, each distinct issue is proposed as a separate resolution.

The Board, including the Chairmen of the NC, AC, RC and Share Option Scheme Committee, external auditors attend AGMs to address questions that shareholders may have concerning the Group.

All resolutions at the Company's general meetings will be voted way of a poll to better reflect shareholders' interest pursuant to Rule 730(A)(2) of the Listing Manual. The detailed results would be announced via SGXNET after the conclusion of the general meetings. Minutes of general meetings will be made available to shareholders upon request.

## ***Dividend policy***

The Group does not have a dividend policy. Having reviewed the Group's FY2018 financial performance, no dividend has been declared or recommended for FY2018 as the Group wishes to conserve its cash for operational use. For any declaration of dividends, the details of dividend payment would be disclosed via the release of financial results announcements through SGXNET.

## ***Anti-Fraud Policy and Code of Conduct***

The Company's Anti-Fraud Policy and Code of Conduct set out the principles to guide its employees and directors in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with the Group, its customers, suppliers, competitors and the community.

## **SECURITIES TRANSACTIONS**

The Group has adopted an internal compliance code of conduct to provide guidance to its Directors, key officers and employees regarding dealings in the Group's securities and implications of insider trading in compliance with Rule 1207(19) of the SGX-ST Listing Manual (the "Securities Code").

In line with the Group's Securities Code, the Company, Directors, key officers and employees of the Group are prohibited from dealing in securities of the Company two weeks before the release of the quarterly results and at least one month before the release of the full year results and at all times, if in possession of unpublished price-sensitive information. The Securities Code also discourages trading on short-term consideration. The Group confirmed that it had adhered to its policy for securities transactions for FY2018.

## **MATERIAL CONTRACTS**

Save for the service agreements entered into between the Company and the Executive Director and CEO, there were no other material contracts of the Company, or its subsidiaries involving the interests of the Chairman, CEO, any Director or controlling shareholder subsisting during FY2018.

# Corporate Governance Report

## INTERESTED PERSON TRANSACTIONS (“IPTs”)

The Group has established procedures to ensure that IPTs are reported in a timely manner to the AC and such transactions are conducted on an arm’s length basis and are not prejudicial to the interests of the shareholders.

The IPT during FY2018 is set out below:

<b>Name of Interested Person</b>	<b>Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)</b>
Kaiping Qingshi Auto Parts Co., Ltd. <sup>1</sup> (“Kaiping Qingshi”)	RMB24,952,000	N.A

*Note 1:* An interest bearing development loan of RMB23.5 million was made to Kaiping Qingshi Auto Parts Co., Limited (“Kaiping Qingshi”), which the Executive Director of the Company, Mr. Zhou Jiangtao holds an effective 30.6% equity interest. The purpose of the loan was to fund the initial re-development of a parcel of land asset in Kaiping City of Guangdong Province held by Kaiping Qingshi. It is the Group’s intent to eventually participate in the redevelopment of the said land asset

The IPT above does not exceed the threshold limits under Chapter 9 of the Listing Manual of SGX-ST and no announcement nor shareholders’ approval is required.

# Directors' Report

The Directors present their report to the members together with the audited consolidated financial statements of China Yuanbang Property Holdings Limited (元邦房地產控股有限公司) (the "Company" and together with its subsidiaries, the "Group") for the financial year ended 30 June 2018.

## DIRECTORS

The Directors of the Company in office at the date of this report are:

### Non-Executive Director

Lin Yeju

### Executive Directors

Ouyang Sheng

Zhou Jiangtao

### Independent Directors

Teo Yi-Dar (*Lead Independent Director*)

Chong Soo Hoon Sean

Xia Weichang

## THE CHINA YUANBANG SHARE OPTION SCHEME

The China Yuanbang Share Option Scheme (the "Scheme") was approved and adopted by shareholders of the Company at a Special General Meeting on 28 June 2010. As at the date of this Annual Report, no option to take up unissued shares of the Company has been granted under the Scheme.

### Eligibility

Employees, Executive Directors and Non-Executive Directors of the Group who have attained the age of 21 years are eligible to participate in the Scheme at the absolute discretion of the Share Option Scheme Committee. Persons who are controlling shareholders and their respective associates (as defined in the SGX-ST Listing Manual) shall not be eligible to participate in the Scheme.

Madam Lin Yeju, who is the spouse of a controlling shareholder of the Company, and her respective associates (as defined in the SGX-ST Listing Manual) shall not be eligible to participate in the Scheme.

### Size of the China Yuanbang Share Option Scheme

The total number of shares over which options may be granted by the Share Option Scheme Committee pursuant to the Scheme on any date, when added to the number of shares issued and issuable and/or transferred and transferable in respect of:

- (a) all options granted under the Scheme; and
- (b) all awards granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force,

shall not exceed 15% of the number of all issued shares (excluding treasury shares) on the day immediately preceding such date of grant.

### Exercise price

Under the Scheme, the Share Option Committee has the discretion to grant options at:

- (a) a price that is equivalent to market price ("Market Price"), being the price equal to the average of the last dealt prices for a share determined by reference to the daily Official List published by the SGX-ST for a period of five (5) consecutive market days immediately prior to the relevant date of grant ("Market Price Options"); or
- (b) a price that is set at a discount to the Market Price, provided always that the maximum discount shall not exceed 20% of the Market Price, and the prior approval of shareholders of the Company shall have been obtained in a separate resolution ("Incentive Options").

### Exercise of options

A Market Price Option shall only be exercisable by a participant after the first anniversary of the date of grant of that Market Price Option, provided always that:

- (a) in the case where such Market Price Option is granted to an employee or Executive Director of the Group, the Market Price Option shall be exercised before the tenth anniversary of the relevant date of grant; and
- (b) in the case where such Market Price Option is granted to a Non-Executive Director of the Group, the Market Price Option shall be exercised before the fifth anniversary of the relevant date of grant.

An Incentive Option shall only be exercisable by a participant after the second anniversary of the date of grant of that Incentive Option, provided always that:

- (a) in the case where such Incentive Option is granted to an employee or Executive Director of the Group, the Incentive Option shall be exercised before the tenth anniversary of the relevant date of grant; and
- (b) in the case where such Incentive Option is granted to a Non-Executive Director of the Group, the Incentive Option shall be exercised before the fifth anniversary of the relevant date of grant.

Any unexercised options shall immediately lapse and become null, void and of no effect and the relevant participant shall have no claim whatsoever against the Company.

### Grant of options and outstanding options

During the financial year ended 30 June 2018, no option to take up the unissued shares of the Company was granted, and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company. There were no unissued shares of the Company under option at the end of the financial year ended 30 June 2018.

### ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the year was the Company or any of its subsidiaries a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

# Directors' Report

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings, an interest in shares of the Company or its related corporations either on 30 June 2018, or on 21 July 2018, were as follows:

	Shares beneficially held by Directors		Shareholdings in which Directors are deemed to have an interest		
	At 1.07.2018	At 21.07.2018 and 30.06.2018	At 1.07.2017	At 30.06.2018	At 21.07.2018
Lin Yeju	—	—	35,826,700	35,826,700	35,826,700
Ouyang Sheng	—	—	—	—	—
Zhou Jiangtao	—	—	—	—	—
Teo Yi-Dar	—	—	—	—	—
Chong Soo Hoon Sean	—	—	—	—	—
Xia Weichang	—	—	—	—	—

The Singapore Exchange Listing Manual requires a company to provide a statement as at the 21st day after the end of the financial year, showing the direct and deemed interest of each Director of the Company in the share capital of the Company.

*Note 1:* Madam Lin is deemed to be interested in all the shares in the Company that her spouse, Mr Chen Jianfeng, is interested in. Mr Chen Jianfeng has a direct interest in 32,040,000 shares in the Company and a deemed interest in 3,786,700 shares in the Company.

## DIRECTORS' INTERESTS IN CONTRACTS

The service agreements of the Executive Directors are for a one year period and will continue thereafter year to year until terminated by not less than three months' notice in writing served by either party on the other.

Apart from the foregoing and save as disclosed in the financial statements, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

## AUDIT COMMITTEE

The Audit Committee has reviewed the overall scope of both internal and external audits and the assistance given by Management to the auditors. The AC has also met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal controls and internal accounting controls. Further details regarding the Audit Committee are set out in the Corporate Governance Report on pages 33 to 35 of this annual report.

## Directors' Report

### AUDITORS

The auditors, BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Public Accountants and Chartered Accountants, Singapore, have expressed their willingness to accept re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board,

**Lin Yeju**

*Non-Executive Chairman*

**Zhou Jiangtao**

*Director*

28 September 2018

# Statement by Directors

We, Lin Yeju and Zhou Jiangtao, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors:

- (i) the accompanying consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and statement of financial position and statement of changes in equity of the Company together with the notes thereto as set out on pages 53 to 129, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2018 and of the results of the business of the Group, changes in equity of the Company and of the Group and cash flows of the Group for the year then ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

**Lin Yeju**  
*Non-Executive Chairman*

**Zhou Jiangtao**  
*Director*

28 September 2018

# Sustainability Report

This inaugural Sustainability Report is aligned with the Singapore Exchange (SGX) requirements and adopts the internationally recognized Global Reporting Initiative (GRI) Standard in accordance to GRI Core reporting guidelines.

The report covers China Yuanbang Property Holdings Limited (the “Company” or together with its subsidiaries, the “Group”) for the period 1 July 2017 to 30 June 2018.

## BOARD SUSTAINABILITY STATEMENT

The Group firmly believes that sustainability approach is crucial to creating long-term value for customers, employees and investors of the Group and even the vast community. During the course of property investment and development, the Group pays attention to the impact of its daily operation on the environment and society, strives to set a role model for the community and achieve an optimal balance in environmental protection, the society and corporate governance, caring about employees and community contributions during the course of business.

## SUSTAINABILITY APPROACH

As a listed company, we aim to deliver economic returns to our stakeholders and apply sustainable practices for long term gains within a framework of robust corporate governance.

The Group firmly believes that ethics and integrity is the cornerstone of a company’s sustainable development. The Group has zero tolerance toward behaviour such as bribery, extortion, fraud and money-laundering in any form. The directors, management and all employees must comply with all relevant laws and regulations promulgated by the State and regional governments in relation to the prevention of bribery, extortion, fraud and money laundering. The policies and procedures such as Anti-Fraud Policy and “Code of Conduct of Employees” provide that employees are prohibited from using their authority granted by work authority for personal gain, theft, affray, fraud, bribery, extortion and other matters that are in violation of the system of the Company.

Due to the nature of our business, we outsource the property construction to external contractors. We engage 82 construction contractors in various locations in China providing labour and machine intensive services of approximately RMB500 million. These contractors manage all operations in the construction sites of our property development projects. Our core team of professionals works closely with these contractors to maintain and achieve the highest achievable quality standards in environmental and socioeconomic compliance. The Group has been receiving various awards over the years in recognition for our operational excellence and quality development.

In the process of this sustainability reporting, we engage our internal stakeholders to identify the key material EESG (Economic, Environment, Social, and Governance) topics using the format of a questionnaire to the Management, Finance, Human Resources and Operations. The key material topics identified are Economic Performance, Environmental Compliance and Socioeconomic Compliance.

There have been no significant changes in our organization’s size, structure, ownership, or supply chain in the past year.

# Sustainability Report

## ECONOMIC PERFORMANCE

The Group financial performance and disclosures are available in the Annual Report.

With regards to financial implications and other risks and opportunities due to climate change that may impact on our economic performance, we do not foresee any exposure in the near future. However we will monitor any regulatory and physical changes, availability of new technologies and challenges pertaining to climate change.

## ENVIRONMENTAL COMPLIANCE

The Group complies with the Environmental Protection Law of PRC and other relevant laws and regulations in the city where the group operates.

In the property development business, the Group outsources construction works to general contractors which manage all operations in the construction sites. To mitigate any negative effect of construction on the environment, the Group requires its contractors to exercise controls over the emissions of dust in building sites and in the emission of waste gas generated from fuel combustion, in accordance to the Air Pollution Prevention and Control Law of the PRC and other applicable law and regulation related to air pollution in the cities that the Group operate. The Group regularly checks on the performance of contractors via site visit to ensure compliance to our quality and environment policies.

There was an incident involving a project at Batai Mountain National Park whereby operations was disrupted to ensure protection of the environment and community in the vicinity. Operations resumed when rectification work was put in place in accordance with the relevant law enforcement departments relating to forestry, environment protection, housing construction and safety.

## SOCIOECONOMIC COMPLIANCE

The Group is committed to ethical conduct in doing business. All forms of corruption, extortion, fraud and bribery are prohibited. The Group abides by the Anti-Unfair Competition Law, the Interim Provisions on Prohibiting Commercial Bribery and Anti-Money Laundering Law of the Mainland of China and other laws and regulations that call for integrity and ethical conduct in operating a business.

The Group makes clear its expectations on employees to ensure professional and ethical conduct of all staff. Our employees are informed of the Group's expectations and guidelines in the normal course of business, as well as the applicable laws and regulations related to improper payment, frauds, and money-laundering.

We adopt a whistle-blowing policy and programme, which was formulated and approved by the Board of Directors of the Company. All reports on any misconduct will be duly investigated by an Investigation Committee appointed by the CEO or his designate. The Investigation Committee shall comprise the Head of Internal Audit or an Audit Committee member and two independent managers recommended by the Head of the Human Resources.

The whistle-blowing policy details the protocols of reporting and handling improper or illegal behaviours within the Group that could be detrimental to the interests of shareholders, investors, customers and general public. It emphasizes protection of whistle-blower's identity and confidentiality of reported cases and the information involved, and sets out the available channels and methods for reporting concerns and the procedure of handling reported cases by the Group's designated personnel.

# Sustainability Report

The Audit Committee meets regularly with the Company's senior management to consider the effectiveness of internal controls and risk management of the Company. As far as the Company is aware, no corruption or bribery incidents and fraudulent practices have been brought to the Company's attention during the year.

We have a policy for Occupational Health and Safety, as well as a strict adherence to local laws and regulations on labour and human rights.

## OUR PEOPLE

We have a total of 267 employees, all of whom are employment contract.

### Employees by gender

	Men	Women	Total
By gender	160	107	267

### Employees by employment type

	Men	Women	Total
Full-time	158	106	264
Part-time	2	1	3

### Employees by region

China – Sichuan	130
China – Guangzhou	61
China – Shandong	5
China – Huizhou	33
China – Tonghua	37
Hong Kong	1

Our employees are covered under the company's Social Insurance of the People's Republic of China as follows:

- Endowment Insurance
- Medical Insurance
- Unemployment Insurance
- Employment Injury Insurance
- Maternity Insurance
- Housing Provident Fund

# Sustainability Report

## GRI CONTENT INDEX

GRI Ref	Disclosure	Page
	<b>Organization Profile</b>	
102-1	Name of the organization	Cover,3
102-2	Activities, brands, products and services	3
102-3	Location of headquarters	2
102-4	Location of operations	2
102-5	Ownership and legal form	3
102-6	Markets served	3
102-7	Scale of the organization	3,5,45
102-8	Information on employees and other workers	45
102-9	Supply chain	43
102-10	Significant changes to the organization's size, structure, ownership, or supply chain	43
102-11	Precautionary Principle or approach	43
102-12	External initiatives	3
102-13	Membership of associations	NA
	<b>Strategy</b>	
102-14	Statement from senior decision-maker	43
	<b>Ethics and Integrity</b>	
102-16	Values, principles, standards, and norms of behaviour	43
	<b>Governance</b>	
102-18	Governance structure	19–41
	<b>Stakeholder Engagement</b>	
102-40	List of stakeholder groups	43
102-41	Collective bargaining agreements	NA
102-42	Identifying and selecting stakeholders	43
102-43	Approach to stakeholder engagement	43
102-44	Key topics and concerns raised	43
	<b>Reporting Practice</b>	
102-45	Entities included in the consolidated financial statements	5
102-46	Defining report content and topic Boundaries	43
102-47	List of material topics	43
102-48	Restatements of information	NA
102-49	Changes in reporting	NA
102-50	Reporting period	2018
102-51	Date of most recent previous report, if applicable	NA
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report or its contents	2
102-54	Claims of reporting in accordance with the GRI Standards	Core
102-55	GRI content index	46
102-56	External assurance	NA
	<b>Management Approach</b>	
103-1	Explanation of the material topic and its Boundary	43
103-2	The management approach and its components	43
103-3	Evaluation of the management approach	43
	<b>Economic</b>	
201	Economic Performance	4,44
	<b>Environmental</b>	
307	Environmental Compliance	44
	<b>Social</b>	
419	Socioeconomic Compliance	44–45



47-129

Financial Section

# Independent Joint Auditors' Report



**To the Shareholders of China Yuanbang Property Holdings Limited  
(Incorporated in Bermuda with limited liability)**

## OPINION

We have audited the financial statements of China Yuanbang Property Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 129, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2018;
- the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group;
- the statement of changes in equity of the Company for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company give a true and fair view of the consolidated financial position of the Group and of the financial position of the Company as at 30 June 2018 and of the consolidated financial performance and consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore and the Hong Kong Institute of Certified Public Accountants ("HKICPA") Code of Ethics for Professional Accountants ("HKICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements, the ACRA Code and the HKICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

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

### 1. **Assessment of net realisable value of properties held under development and properties held for sale**

The Group has significant properties held under development and properties held for sale in the People's Republic of China (the "PRC") which together represent the largest category of assets on the consolidated statement of financial position at approximately RMB3,088 million in aggregate as at 30 June 2018.

Properties held under development and properties held for sale are stated at the lower of their costs and their net realisable values.

The determination of the estimated net realisable value of these properties held under development and properties held for sale involves significant judgement and is critically dependent upon the Group's estimation of future selling prices of these properties and costs to be incurred to complete their projects.

#### **Related Disclosures**

Refer to notes 3.8, 3.9, 4.1(i), 17 and 18 of the accompanying financial statements.

#### **Audit Response**

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

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

# Independent Joint Auditors' Report

## KEY AUDIT MATTERS (Continued)

### 2. Valuation of investment properties

The Group owns a portfolio of investment properties located in the PRC. Investment properties were significant to the Group which amounted to approximately RMB587 million as at 30 June 2018.

These investment properties are stated at their fair values as estimated by management. Management's estimation of the fair values of the investment properties are supported by valuations performed by an independent external valuer on the investment properties at the end of the reporting period.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to changes in key assumptions, such as the capitalisation rate, reversionary yield and vacancy rate.

#### *Related Disclosures*

Refer to notes 3.4, 4.1(ii) and 14 of the accompanying financial statements.

#### *Audit Response*

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

- Engaging an auditor's expert to assist in our assessment on the appropriateness of the methodology and the reasonableness of the key assumptions and estimations adopted in the valuations;
- Assessing the appropriateness of the methodology used and the reasonableness and appropriateness of the key input data used on a sample basis;
- Evaluating the competence, capabilities and objectivity of management's expert and auditor's expert; and
- Assessing the adequacy of related disclosures in the consolidated financial statements.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the Company's 2018 annual report, but does not include the financial statements and our joint auditors' report thereon.

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

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

## RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a joint auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

# Independent Joint Auditors' Report

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent joint auditors' report are Koh Yen Ling from BDO LLP, and Lo Ngai Hang from BDO Limited.

### **BDO LLP**

*Public Accountants and  
Chartered Accountants*  
600 North Bridge Road  
#23-01 Parkview Square  
Singapore 188778

28 September 2018

### **BDO Limited**

*Certified Public Accountants*  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

28 September 2018

# Consolidated Statement of Comprehensive Income

for the year ended 30 June 2018

	Notes	2018 RMB'000	2017 RMB'000
<b>Revenue</b>	6	<b>1,027,838</b>	684,810
Cost of sales			
Cost of properties held for sale recognised as expenses and other costs		<b>(900,099)</b>	(618,822)
<b>Gross profit</b>		<b>127,739</b>	65,988
Other income and gains	6	<b>43,938</b>	45,395
Fair value adjustments on investment properties	14	<b>4,507</b>	53,593
Selling expenses		<b>(56,343)</b>	(41,433)
Administrative expenses		<b>(66,382)</b>	(74,230)
Other operating expenses		<b>(30,389)</b>	(26,905)
<b>Operating profit</b>	7	<b>23,070</b>	22,408
Finance costs	8	<b>(2,273)</b>	(2,197)
<b>Profit before income tax</b>		<b>20,797</b>	20,211
Income tax expense	9	<b>(74,535)</b>	(47,354)
<b>Loss for the year</b>		<b>(53,738)</b>	(27,143)
<b>Other comprehensive income, net of tax</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of foreign operations		<b>1,665</b>	(739)
<b>Other comprehensive income for the year</b>		<b>1,665</b>	(739)
<b>Total comprehensive income for the year</b>		<b>(52,073)</b>	(27,882)
<b>(Loss)/Profit attributable to:</b>			
Owners of the Company		<b>(46,703)</b>	(27,733)
Non-controlling interests		<b>(7,035)</b>	590
		<b>(53,738)</b>	(27,143)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>(45,038)</b>	(28,472)
Non-controlling interests		<b>(7,035)</b>	590
		<b>(52,073)</b>	(27,882)
		<b>RMB</b>	RMB
<b>Earnings per share for loss attributable to owners of the Company during the year</b>			
– Basic and diluted	11	<b>(0.67)</b>	(0.40)

# Statements of Financial Position

as at 30 June 2018

		Group		Company	
	Notes	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Interests in subsidiaries	12	—	—	134,381	134,381
Property, plant and equipment	13	107,299	104,722	—	—
Investment properties	14	586,800	589,200	—	—
Land use rights	15	10,094	10,381	—	—
Deposit paid	20	85,000	—	—	—
Loan receivable	16	18,800	—	—	—
Deferred tax assets	26	34,065	49,738	—	—
		842,058	754,041	134,381	134,381
<b>Current assets</b>					
Properties held under development	17	1,708,654	1,329,810	—	—
Properties held for sale	18	1,378,865	1,949,859	—	—
Accounts receivable	19	35,721	32,802	—	—
Prepayments, deposits paid and other receivables	20	752,032	765,384	1,406	1,447
Due from subsidiaries	12	—	—	335,699	336,550
Due from customer for contract work	21	22,444	—	—	—
Loan receivable	16	6,152	—	—	—
Cash and bank balances	22	180,310	523,431	—	—
		4,084,178	4,601,286	337,105	337,997
<b>Current liabilities</b>					
Accounts payable	24	654,664	537,572	—	—
Receipts in advance	23	1,310,959	1,154,969	—	—
Accruals, deposits received and other payables	24	951,950	1,185,537	9,888	8,844
Interest-bearing bank and other borrowings	25	268,244	524,193	—	—
Income tax payable		197,515	189,453	—	—
		3,383,332	3,591,724	9,888	8,844
<b>Net current assets</b>					
		700,846	1,009,562	327,217	329,153
<b>Total assets less current liabilities</b>					
		1,542,904	1,763,603	461,598	463,534
<b>Non-current liabilities</b>					
Interest-bearing bank and other borrowings	25	490,979	660,732	—	—
Deferred tax liabilities	26	139,876	138,749	—	—
		630,855	799,481	—	—
<b>Net assets</b>					
		912,049	964,122	461,598	463,534

# Statements of Financial Position

as at 30 June 2018

		Group		Company	
	Notes	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	27	133,882	133,882	133,882	133,882
Reserves	28	487,938	532,976	327,716	329,652
		621,820	666,858	461,598	463,534
<b>Non-controlling interests</b>		290,229	297,264	–	–
<b>Total equity</b>		912,049	964,122	461,598	463,534

**Lin Yeju**  
Non-Executive Chairman

**Zhou Jiangtao**  
Director

# Statements of Changes in Equity

for the year ended 30 June 2018

## Group

	Equity attributable to owners of the Company							Non-	Total equity	
	Share capital	Share premium*	Merger reserve*	Revaluation reserve*	Statutory reserve*	Translation reserve*	Retained profits*	Total		controlling Interests
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
	(note 27)	(note 28)	(note 28)	(note 28)	(note 28)	(note 28)				
At 1 July 2016	133,882	302,585	20,720	10,293	93,892	3,138	130,820	695,330	296,674	992,004
(Loss)/Profit for the year	-	-	-	-	-	-	(27,733)	(27,733)	590	(27,143)
Other comprehensive income										
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(739)	-	(739)	-	(739)
Total comprehensive income for the year	-	-	-	-	-	(739)	(27,733)	(28,472)	590	(27,882)
At 30 June 2017 and 1 July 2017	133,882	302,585	20,720	10,293	93,892	2,399	103,087	666,858	297,264	964,122
Loss for the year	-	-	-	-	-	-	(46,703)	(46,703)	(7,035)	(53,738)
Other comprehensive income										
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	1,665	-	1,665	-	1,665
Total comprehensive income for the year	-	-	-	-	-	1,665	(46,703)	(45,038)	(7,035)	(52,073)
At 30 June 2018	133,882	302,585	20,720	10,293	93,892	4,064	56,384	621,820	290,229	912,049

\* These reserve accounts comprise the consolidated reserves of approximately RMB487,938,000 (2017: RMB532,976,000) in the consolidated statement of financial position.

# Statements of Changes in Equity

for the year ended 30 June 2018

## Company

	Share capital RMB'000 (note 27)	Share premium** RMB'000 (note 28)	Contributed surplus** RMB'000 (note 28)	Accumulated losses** RMB'000	Total RMB'000
<b>At 1 July 2016</b>	133,882	304,474	35,064	(5,570)	467,850
Loss for the year and total comprehensive income for the year	–	–	–	(4,316)	(4,316)
<b>At 30 June 2017 and 1 July 2017</b>	<b>133,882</b>	<b>304,474</b>	<b>35,064</b>	<b>(9,886)</b>	<b>463,534</b>
Loss for the year and total comprehensive income for the year	–	–	–	(1,936)	(1,936)
<b>At 30 June 2018</b>	<b>133,882</b>	<b>304,474</b>	<b>35,064</b>	<b>(11,822)</b>	<b>461,598</b>

\*\* These reserve accounts comprise the Company's reserves of approximately RMB327,716,000 (2017: RMB329,652,000) in the statement of financial position of the Company.

# Consolidated Statement of Cash Flows

for the year ended 30 June 2018

	Notes	2018 RMB'000	2017 RMB'000
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>20,797</b>	20,211
Adjustments for:			
Amortisation of land use rights	7, 15	<b>287</b>	287
Depreciation of property, plant and equipment	7, 13	<b>7,905</b>	9,099
Fair value adjustments on investment properties	14	<b>(4,507)</b>	(53,593)
Interest expense	8	<b>2,273</b>	2,197
Interest income	6	<b>(2,329)</b>	(937)
(Gain)/Loss on disposals of property, plant and equipment	6, 7	<b>(87)</b>	193
Loss on disposals of investment properties	7	<b>507</b>	–
Impairment loss on other receivables	7	<b>2,407</b>	3,501
Write-down of properties held for sales	7	<b>5,153</b>	2,740
<b>Operating profit/(loss) before working capital changes</b>		<b>32,406</b>	(16,302)
Increase in properties held under development		<b>(199,559)</b>	(381,132)
Decrease in properties held for sale		<b>386,702</b>	468,047
Increase in accounts receivable		<b>(2,919)</b>	(26,425)
Decrease/(Increase) in prepayments, deposits paid and other receivables		<b>10,945</b>	(104,017)
Increase in amounts due from customer for contract work		<b>(22,444)</b>	–
Increase in accounts payable		<b>117,092</b>	190,839
Increase/(Decrease) in receipts in advance		<b>107,430</b>	(117,493)
(Decrease)/Increase in accruals, deposits received and other payables		<b>(185,027)</b>	775,856
<b>Cash generated from operations</b>		<b>244,626</b>	789,373
Income taxes paid		<b>(49,673)</b>	(47,847)
Interest received	6	<b>877</b>	937
<b>Net cash generated from operating activities</b>		<b>195,830</b>	742,463

# Consolidated Statement of Cash Flows

for the year ended 30 June 2018

	Notes	2018 RMB'000	2017 RMB'000
<b>Cash flows from investing activities</b>			
Decrease/(Increase) in restricted bank deposits		95,782	(22,260)
Increase in loan receivable		(23,500)	–
Increase in deposit paid		(85,000)	–
Purchase of property, plant and equipment		(10,649)	(44,568)
Proceeds from disposals of property, plant and equipment		108	170
Proceeds from disposals of investment properties		6,400	–
<b>Net cash used in investing activities</b>		<b>(16,859)</b>	<b>(66,658)</b>
<b>Cash flows from financing activities</b>	30		
Interest paid		(2,273)	(118,417)
Proceeds from bank and other borrowings		244,169	1,064,205
Repayment of bank and other borrowings		(669,871)	(1,318,035)
<b>Net cash used in financing activities</b>		<b>(427,975)</b>	<b>(372,247)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(249,004)</b>	<b>303,558</b>
<b>Effect on foreign exchange translation</b>		<b>1,665</b>	<b>(739)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>408,690</b>	<b>105,871</b>
<b>Cash and cash equivalents at end of year</b>		<b>161,351</b>	<b>408,690</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances		180,310	523,431
Less: Restricted bank deposits		(18,959)	(114,741)
	22	161,351	408,690

# Notes to the Financial Statements

for the year ended 30 June 2018

## 1. GENERAL INFORMATION

China Yuanbang Property Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 4 December 2006. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Its principal place of business is located at 9th Floor, Yuanbang Building, No. 599 Huangshi West Road, Baiyun District, Guangzhou City, Guangdong Province, People’s Republic of China. The Company’s shares have been listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) since 9 May 2007.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries (together with the Company referred as the “Group”) are set out in note 12 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

The operations of the Company and its subsidiaries are principally conducted in the People’s Republic of China (the “PRC”).

During the financial year, Chen Jianfeng and Lin Yeju by virtue of their substantial shareholdings in the Group and are determined to be the controlling shareholders of the Group.

The financial statements on pages 53 to 129 have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (“IASB”), and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The financial statements also include the applicable disclosure requirements of the Listing Manual of the SGX-ST.

The consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company for the year ended 30 June 2018 were approved for issue by the board of Directors (the “Directors”) on 28 September 2018.

## 2. ADOPTION OF IFRSs

### (a) Adoption of new/amended IFRSs

In current year, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (the “new IFRSs”) issued by IASB and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB, which are relevant to the Group’s operations effective for its financial statements for the annual period beginning on 1 July 2017.

## 2. ADOPTION OF IFRSs (Continued)

### (a) Adoption of new/amended IFRSs (Continued)

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to IFRS 12, Disclosure of Interests in Other Entities

#### ***Amendments to IAS 7 – Disclosure Initiative***

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated statements of cash flows in note 30.

#### ***Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses***

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

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

#### ***Annual Improvements to IFRSs 2014–2016 Cycle – Amendments to IFRS 12, Disclosure of Interests in Other Entities***

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of IFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to IFRS 12 has no impact on these financial statements as the Group did not have any entity classified as held for sale or discontinued operations.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 2. ADOPTION OF IFRSs (Continued)

### (b) New/amended IFRSs that have been issued but not yet effective

At the date of authorisation of these financial statement, the following new or amended IFRSs which are potentially relevant to the Group's financial statements have been issued but are not yet effective and have not been early adopted by the Group:

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
IFRS 9	Financial Instruments <sup>1</sup>
Amendments to IFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
IFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarification to IFRS 15) <sup>1</sup>
IFRS 16	Leases <sup>2</sup>
Amendments to IAS 28	Investments in Associates and Joint Ventures <sup>2</sup>
Amendments to IAS 40	Transfers to Investment Properties <sup>1</sup>
IFRIC 22	Foreign Currency Transactions and Advance Considerations <sup>1</sup>
IFRIC 23	Uncertainty Over Income Tax Treatments <sup>2</sup>
Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28 <sup>1</sup>
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to:
	IFRS 3 Business Combination <sup>2</sup>
	IFRS 11 Joint Arrangements <sup>2</sup>
	IAS 12 Income Taxes <sup>2</sup>
	IAS 23 Borrowing Costs <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> The amendments were originally intended to effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continues to be permitted.

## 2. ADOPTION OF IFRSs (Continued)

### (b) New/amended IFRSs that have been issued but not yet effective (Continued)

#### *IFRS 9 – Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

IFRS 9 includes new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

The Group has completed its preliminary assessment of the classification and measurement of its financial assets and liabilities, and expects that financial assets and liabilities currently measured at amortised cost will continue to qualify for measurement at amortised cost under IFRS 9. The Group does not have financial liabilities which are designated at fair value through profit or loss.

#### *Impairment*

IFRS 9 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in IAS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 2. ADOPTION OF IFRSs (Continued)

### (b) New/amended IFRSs that have been issued but not yet effective (Continued)

#### *IFRS 9 – Financial Instruments (Continued)*

##### *Impairment (Continued)*

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on accounts receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its accounts receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

The Group plans to adopt the standard in the financial year beginning on 1 July 2018 and will include additional disclosures in its financial statements for that financial year. The Group is still assessing the transition choices available.

##### *Amendments to IFRS 9 – Prepayment Features with Negative Compensation*

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

#### *IFRS 15 – Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

## 2. ADOPTION OF IFRSs (Continued)

### (b) New/amended IFRSs that have been issued but not yet effective (Continued)

#### *IFRS 15 – Revenue from Contracts with Customers (Continued)*

Currently, sales of properties is recognised when the significant risks and rewards of ownership of the properties are transferred to the purchasers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties, that is when the construction of the relevant properties has been completed and the properties have been delivered to the buyers pursuant to the sale agreements, and the collectability of related receivables is reasonably assured.

Upon the adoption of IFRS 15, revenue from the sale of properties will be recognised when control over the properties is transferred to the purchasers. Judgement will be required to assess whether control transfers over time or at a point of time. Properties that have no alternative use to the Group due to contractual restriction and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group will recognise revenue as the performance obligations are satisfied over time by applying an input method for measuring progress.

At this stage, the Group is assessing the impact of the new standard on the consolidated financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

In assessing whether advance payments include a significant financing component, the Group has considered the difference between the length of time between the payment date and the date when the customers obtain control of the properties based on the typical arrangements entered into with the customers.

Where advance payment include a significant financing component, the transaction price will need to be adjusted to separately account for this component. Such adjustment will result in interest expense being recognised to reflect the effect of the financing benefit obtained from the customers during the period between the payment date and the date when the customers obtain control of the properties with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer. However, the actual extent of impact of this new accounting policy will also depend on whether and by how much such interest expense can be capitalised as part of the cost of the properties under IAS 23, Borrowing costs. If the interest expense is to be capitalised until the construction work is completed, then this new accounting policy will not have a material impact on the Group's net profits during the construction period and gross profit from the sales of properties. The Group is in the process of assessing the implication of the significant financing component identified from the property sales on its capitalisation policy.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 2. ADOPTION OF IFRSs (Continued)

### (b) New/amended IFRSs that have been issued but not yet effective (Continued)

#### *Amendments to IFRS 15 – Revenue from Contracts with Customers (Clarifications to IFRS 15)*

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

#### *Amendments to IAS 40, Investment Property – Transfers of Investment Property*

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

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

#### *IFRS 16 – Leases*

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

The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

## 2. ADOPTION OF IFRSs (Continued)

### (b) New/amended IFRSs that have been issued but not yet effective (Continued)

#### *IFRIC 22 – Foreign currency transactions and advance considerations*

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

#### *IFRIC 23 – Uncertainty over income tax treatments*

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

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

Save as discussed above, other than IFRS 9 and IFRS 15, all new standards, amendments to standards and interpretations issued but not effective are not likely to have significant impact on the Group’s consolidated financial statements.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

The financial statements have been prepared under the historical cost basis except for investment properties, which are stated at their fair values as explained in accounting policies below.

The consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are presented in RMB, which is the Company's functional and presentation currency and all values presented are rounded to the nearest thousand ("RMB'000") as indicated.

It should be noted that the accounting estimates and assumptions are used in preparing these financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

### 3.1 Basis of consolidation and business combination

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (note 3.2) made up to 30 June each year.

Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.1 Basis of consolidation and business combination (Continued)

The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represents a present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Upon loss of control of a subsidiary through distribution of shares in the subsidiary to the shareholders of the Company where the subsidiary is ultimately controlled by the same parties both before and after the distribution, the Group (a) derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost; and (b) measures the distribution and the liability to distribute at the carrying amount of the net assets to be distributed.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 Subsidiaries

Subsidiaries are entities over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### 3.3 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (*note 3.6*). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

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

Depreciation is calculated on straight-line method to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Leasehold buildings	The shorter of the lease terms and 20 years
Leasehold improvements	The shorter of the lease terms and 10 years
Parks and other properties	The shorter of the lease terms and 20 years
Furniture, fixtures and office equipment	3 to 10 years
Motor vehicles	5 to 8 years

The assets' estimated residual values, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

Construction in progress represents geological park under construction and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction work is completed and ready for use.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal or retirement is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

### 3.4 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at fair value.

Fair value is determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment properties. The carrying amounts recognised in the statement of financial position reflect the prevailing market conditions at the reporting date.

Gain or loss arising from either a change in fair value or the sale of investment properties is included in profit or loss for the period in which it arises.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. An increase arising from revaluation is recognised in other comprehensive income and accumulated in equity but to the extent that the increase reverses a previous impairment loss for the same property, it is recognised in profit or loss. On subsequent disposal, the revaluation surplus included in equity is transferred directly to retained profits.

For a transfer from inventories of properties to investment properties that is carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.5 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### *The Group as lessee*

- (i) Leases where substantially all risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the period in which they are incurred.
- (ii) Leasehold interests in land are up-front payments to acquire the land use rights. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line method over the lease term.

Certain leasehold interests in land are included in properties held under development and properties held for sale (*notes 17 and 18*).

#### *The Group as lessor*

Properties leased out under operating leases are included in the statement of financial position as investment properties. Initial indirect costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line-basis over the lease term. The recognition of rental income is set out in note 3.17.

### 3.6 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment and interests in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.6 Impairment of non-financial assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (i.e. the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

### 3.7 Financial assets

The Group's financial assets include refundable deposit paid, accounts and other receivables, due from subsidiaries, loan receivable and cash and bank balances, which are classified as loans and receivables, are set out below.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date. All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs.

Derecognition of financial assets occurs when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

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

At each reporting date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 Financial assets (Continued)

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- (a) significant financial difficulty of the debtor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) granting concession to a debtor because of debtor's financial difficulty; and
- (d) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs. In relation to accounts and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

Except for accounts and other receivables, the carrying amount of loans and receivables is directly reduced by any identified amount of impairment. The carrying amount of accounts and other receivables is reduced through the use of an allowance account. When any part of accounts and other receivables is determined as uncollectible, it is written off against the allowance account.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.8 Properties held under development

Properties held under development which are held for future sale in the ordinary course of business are included in current assets and comprise certain land held under operating lease (*note 3.5*) and capitalised depreciation of certain property, plant and equipment (*note 13*), and borrowing costs capitalised (*note 3.19*) and aggregate cost of development, materials and supplies, wages, and other expenses ("development costs"). Properties held under development are stated at the lower of cost and net realisable value. Other expenses included (a) those costs that are incurred in bringing the properties held under development to their present location and condition; and (b) a systematic allocation of fixed overheads that are incurred on development of properties. Fixed overheads are indirect costs which remain relatively constant regardless of the size or volume of the development.

On completion, the properties are transferred to properties held for sale. Cost is calculated using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling expenses.

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

### 3.9 Properties held for sale

In case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. The cost of completed properties held for sale comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

### 3.10 Cash and cash equivalents

For the purpose of consolidated statement of cash flows presentation, cash and cash equivalents comprise cash at banks and in hand, demand deposits, less restricted bank deposits which are repayable on demand and form an integral part of the Group's cash arrangement.

For the purpose of statements of financial position classification, cash and bank balances comprise cash at banks and in hand and demand deposits repayable on demand with any banks or other financial institutions. Cash includes deposits denominated in foreign currencies.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.11 Financial liabilities

The Group's financial liabilities include accounts payable, accruals, refundable deposits received and other payables and interest-bearing bank and other borrowings.

Management determines the classification of its financial liabilities at initial recognition depending on the purpose for which the financial liabilities were incurred.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's policy on borrowing costs (*note 3.19*).

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

#### ***Accounts payable, accruals, refundable deposits received and other payables***

These are recognised initially at fair value and subsequently measured at amortised cost, using effective interest method.

#### ***Interest-bearing bank and other borrowings***

These are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

These are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.12 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. When the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

All provisions are reviewed at the reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefit is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

### 3.13 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder (or the beneficiary of the guarantee) for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3.12 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.14 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of share over the par value. Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

Where any Group's entities purchase the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

### 3.15 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.15 Foreign currency translation (Continued)

Exchange differences recognised in profit or loss of Group's entities separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into RMB at the closing rates.

When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

### 3.16 Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion of contract costs incurred for work performed to date relative to the estimated total contract cost, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenue of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customer for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as due to customer for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as receipt in advance. Amounts billed for work performed, but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties, rendering of services and the use by others of the Group's assets yielding interests and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

**(a) Revenue from sale of properties held for sale**

Revenue arising from sale of properties held for sale is recognised upon the properties transfer of the significant risks and rewards of ownership of these properties to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received from purchasers prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities as receipt in advance and are not recognised as revenue.

**(b) Revenue from construction contracts**

When the outcome of a cost-plus construction contract can be estimated reliably, revenue is recognised by reference to the recoverable costs incurred during the year plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

**(c) Rental income receivable under operating leases**

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

**(d) Revenue from admission tickets sold and tickets of in-park recreation**

Revenue from admission tickets sold is recognised when tickets are accepted and surrendered by the customer. Revenue from tickets sold for use at a future date is deferred until the tickets have been surrendered or have expired. Revenue from tickets of in-park recreation facilities is recognised when the tickets are sold to customers and when services are provided.

**(e) Services revenue**

Services revenue are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.17 Revenue recognition (Continued)

(f) *Revenue from hotel, food and beverage*

Revenue from hotel, food and beverage are recognised when the relevant services are rendered.

(g) *Interest income*

Interest income from bank deposits is recognised on a time proportion basis by reference to the principal outstanding and the rate applicable.

### 3.18 Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to financial statements. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### 3.19 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

The Group determines the amount of borrowing costs from the general borrowings eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalises during a period does not exceed the amount of borrowing costs it incurred during that period.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.20 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws that have been enacted or substantially enacted in countries where the Company and subsidiaries operate by the end of the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under IAS 40 “Investment Property”. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale. Based on the assessment of the presumption, the Group determines that their investment properties are recovered through sales and the presumption is not rebutted.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.20 Accounting for income tax (Continued)

Changes in deferred tax assets or liabilities are recognised in profit or loss or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entities; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 3.21 Retirement benefits

#### (a) *Retirement benefits to employees*

Pensions to employees are provided through a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.21 Retirement benefits (Continued)

#### (a) *Retirement benefits to employees (Continued)*

The Group participates the defined contribution scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are made based on a percentage of employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations in the PRC, the Group has participated in a local municipal government retirement benefit scheme (the “Scheme”), whereby the Group is required to contribute a certain percentage of basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligation of all existing and future retired employees in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above, which is limited to the fixed percentage contribution payable. Contributions under the Scheme are recognised as an expense in profit or loss as employees rendered services during the year.

#### (b) *Short-term employee benefits*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

#### (c) *Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group restructuring costs involve the payment of termination benefits.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.22 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Company.

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group or the Company, directly or indirectly, including any Directors (whether executive or otherwise) of the Group or the Company.

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third party and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parents.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Executive Directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

The measurement policies the Group uses for reporting segment results under IFRS 8 are the same as those used in its financial statements prepared under IFRSs.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (i) *Properties held under development and properties held for sale*

Properties held under development and properties held for sale are stated at the lower of cost and net realisable value. For properties held for sale, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Provision is made when net realisable value of properties held for sale is assessed below the cost.

Management determines the net realisable value by using prevailing market data such as most recent sale transactions and cost to completion from gross development value assuming satisfactory completion. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The carrying amounts of the Group's properties held under development and properties held for sale as at 30 June 2018 were approximately RMB1,708,654,000 and RMB1,378,865,000 (2017: RMB1,329,810,000 and RMB1,949,859,000) respectively.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.1 Critical accounting estimates and assumptions (Continued)

#### (ii) *Investment properties*

Investment properties are stated at fair value as estimated by the management based on the valuation performed by an independent external valuer and are in accordance with note 3.4. In determining the fair value, the valuer has based on a method of valuation which involves certain assumptions stated in note 14. In relying on the valuation report, the Directors have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions.

The fair value measurement of investment properties utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the “fair value hierarchy”):

- Level 1: quoted prices in active markets for identical items (unadjusted);
- Level 2: observable direct and indirect inputs other than Level 1 inputs; and
- Level 3: unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

For more detail information in relation to the fair value measurement of the investment properties, please refer to note 14.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.1 Critical accounting estimates and assumptions (Continued)

#### (iii) *Estimates of current tax and deferred tax*

The Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provision in the period in which such determination is made.

Moreover, the Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on the management's best estimates according to the understanding of the tax rules.

Deferred tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax expense in the periods in which such estimate is changed. The outcome of their actual utilisation may be different.

At 30 June 2018, the carrying amount of the Group's income tax payables were approximately RMB197,515,000 (2017: RMB189,453,000).

At 30 June 2018, the carrying amount of deferred tax assets and deferred tax liabilities were approximately RMB34,065,000 (2017: RMB49,738,000) and RMB139,876,000 (2017: RMB138,749,000) respectively.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.1 Critical accounting estimates and assumptions (Continued)

#### (iv) *Impairment of accounts and other receivables*

The Group's management assesses the collectability of accounts and other receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on the credit history of its customers or counterparties and the current market condition. The impairment loss on accounts and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables or to receive the services, products and leasehold land and land use rights according to the original terms of contracts. Significant financial difficulties of the deposit holder/debtor, probability that the deposit holder/debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the deposit/receivable is impaired. Management reassesses the impairment loss of receivables at the reporting date.

The Group has impaired other receivables of RMB2,407,000 during the year ended 30 June 2018 (2017: RMB3,501,000). The aggregate carrying amounts of the Group's accounts receivable and other receivables as at 30 June 2018 was approximately RMB677,745,000 (2017: RMB651,094,000).

#### (v) *Impairment of investments in subsidiaries*

The Company and Group follow the guidance of IAS 36 in determining whether an investment in subsidiaries are impaired. This determination requires significant judgement which involves estimation uncertainty. The Company evaluates, among other factors, the extent to which the recoverable amount of an investment is less than its carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The carrying amount of investment in subsidiaries, at the end of the financial year is disclosed in note 12 to the financial statements.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### 4.2 Critical judgement in applying the entity's accounting policies

#### *Revenue recognition*

The Group has recognised revenue from sale of properties held for sale during the year as disclosed in note 6. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyer requires examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer or when a completion certificate is issued by the relevant government authorities. The Group believes that its recognition basis of sales as set out in note 3.17 is appropriate and is the current practice in the PRC.

## 5. SEGMENT INFORMATION

These operating and reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies that conform to IFRSs, that are regularly reviewed by the Executive Directors for the purposes of resource allocation and performance assessment. The Group is principally engaged in the business of sale and lease of properties for which is the basis to allocate resources and assess performance. Executive Directors considers the construction contract of properties as a non-core and occasional business line of service. Information reported to the Executive Directors for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Besides, less than 10% of the Group's revenue, operating result and asset is attributable to the business of construction contract of properties. Accordingly, no operating segment information is presented.

The Group's revenue from external customers for each operation category, are disclosed in note 6.

The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are located. In the opinion of the Directors, the majority of the Group's operation and centre of management are sourced from its subsidiaries in Guangzhou and Nanchang, the PRC, and that the operation base of the Group is domiciled in the PRC, as one geographical location. Therefore no analysis of geographical information is presented.

The Group's revenue from external customers is mainly sourced from the PRC. There is no independent and individual customer that contributed to 10% or more of the Group's revenue (2017: approximately RMB254,600,000, which 37% represented to the Group's revenue) for the year ended 30 June 2018.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 6. REVENUE AND OTHER INCOME AND GAINS

An analysis of the Group's revenue and other income and gains is as follows:

	Group 2018 RMB'000	2017 RMB'000
<b>Revenue</b>		
Proceeds from sale of properties held for sale	940,671	684,810
Revenue from construction contract	87,167	–
	<b>1,027,838</b>	684,810
<b>Other income and gains</b>		
Bank interest income from bank deposits	877	937
Other interest income	1,452	–
Admission ticket and in-park recreation income	15,956	19,593
Rental income from investment properties ( <i>note</i> )	17,231	17,945
Building management fee income	3,850	3,427
Income from hotel, food and beverage	668	–
Gain on disposals of property, plant and equipment	87	–
Others	3,817	3,493
	<b>43,938</b>	45,395

*Note:* The Group has contingent rental income of investment properties of approximately RMB7,262 (2017: RMB8,348) for the year ended 30 June 2018. The contingent rental income of investment properties is calculated based on a percentage of the relevant sales of the tenants pursuant to the rental agreements.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 7. OPERATING PROFIT

	Group 2018 RMB'000	2017 RMB'000
Operating profit is arrived at after charging/(crediting):		
Auditor's remuneration		
– Audit service	1,096	955
– Non-audit service	–	–
	1,096	955
Amortisation of land use rights (note 15)	287	287
Cost of properties held for sale recognised as expenses		
– Cost of properties held for sale	799,455	601,119
– Write-down of properties held for sales to net realisable value	5,153	2,740
	804,608	603,859
Cost of construction contract	87,167	–
Depreciation of property, plant and equipment (note 13)	7,905	9,099
(Gain)/Loss on disposals of property, plant and equipment	(87)	193
Loss on disposals of investment properties (note 14)	507	–
Operating lease charges in respect of land and buildings	433	1,833
Less: amount capitalised in		
– Properties held under development	–	(57)
– Construction in progress	–	(91)
	433	1,685
Direct operating expenses arising from investment properties	503	331
Advertising and promotion expenses	6,340	13,832
Commission expenses	40,673	14,133
Entertainment expenses	7,688	7,668
Legal and professional fees	4,523	7,849
Travelling expenses	2,218	4,378
Net exchange loss	384	731
Provision for impairment of other receivables (note 20)	2,407	3,501
Staff costs, including Directors' remuneration (note)		
– Wages and salaries, allowances and benefits in kind	34,060	38,972
– Retirement scheme contribution	4,084	3,238
Less: amount capitalised in		
– Properties held under development	(4,171)	(4,728)
– Construction in progress	(320)	(352)
	33,653	37,130

Note: Included in administrative expenses, selling expenses and other operating expenses of approximately RMB21,480,000, RMB6,636,000 and RMB5,537,000 respectively (2017: RMB24,615,000, RMB6,788,000 and RMB5,727,000 respectively).

# Notes to the Financial Statements

for the year ended 30 June 2018

## 8. FINANCE COSTS

	Group 2018 RMB'000	2017 RMB'000
Interest charges on financial liabilities carried at amortised cost:		
Loans from banks and other financial institutions	17,201	47,445
Other loans	60,337	70,972
	77,538	118,417
Less: amount capitalised in properties held under development	(75,265)	(116,220)
	2,273	2,197

The weighted average capitalisation rate of borrowings was 9.62% (2017: 9.64%) per annum for the year.

## 9. INCOME TAX EXPENSE

	Group 2018 RMB'000	2017 RMB'000
Notes		
<b>Current income tax – PRC</b>		
– Enterprise Income Tax ("EIT") (a)	39,138	34,637
– LAT (b)	18,597	6,339
<b>Over-provision in prior years</b>		
– LAT (b)	–	(6,665)
	57,735	34,311
<b>Deferred tax – PRC (note 26)</b>	16,800	13,043
	74,535	47,354

Notes:

- (a) EIT has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2017: 25%).
- (b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost and land use rights, borrowing costs, value-added tax and all property development expenditures. The tax is incurred upon transfer of property ownership. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sale of commercial properties is not eligible for such exemption.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 9. INCOME TAX EXPENSE (Continued)

Pursuant to the rules and regulations of the Bermuda, the Group is not subject to any taxation under jurisdictions of the Bermuda.

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	<b>Group</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Profit before income tax	<b>20,797</b>	20,211
Tax on profit before income tax, calculated at the rate applicable to profits in the PRC	<b>5,199</b>	5,053
Tax effect of non-deductible expenses	<b>34,907</b>	30,484
Provision for LAT	<b>18,597</b>	6,339
Tax effect on EIT of LAT payable	<b>(4,649)</b>	82
Effect of tax loss not recognised	<b>5,154</b>	1,248
Over-provision of LAT in prior years	<b>–</b>	(6,665)
Others	<b>15,327</b>	10,813
Total income tax expense	<b>74,535</b>	47,354

## 10. DIVIDENDS

The Directors did not recommend the payment of final dividend for the years ended 30 June 2018 and 2017.

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the loss attributable to owners of the Company of approximately RMB46,703,000 (2017: RMB27,733,000) and on 69,400,000 (2017: 69,400,000) ordinary shares in issue during the year.

The diluted earnings per share is the same as the basic earnings per share, as the Group has no dilutive potential shares during the current and prior years.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 12. INTERESTS IN SUBSIDIARIES

	Company 2018 RMB'000	2017 RMB'000
Unlisted investments, at cost	134,381	134,381

Amounts due from subsidiaries are non-trade, interest-free, unsecured and repayable on demand.

Particulars of the subsidiaries, each of which is a limited liability company, were as follows:

Name	Place of incorporation/ registration	Effective percentage of equity interest held by the Company		Principal activities and principal place of business
		2018	2017	
<b>Directly held:</b>				
Rich Luck Group Limited	British Virgin Islands ("BVI")	100%	100%	Investment holding, Hong Kong ("HK")
<b>Indirectly held:</b>				
Guangdong Yuanbang Real Estate Development Co., Ltd. ("Guangdong Yuanbang")*	PRC	100%	100%	Property development, management and investment holding, PRC
Guangzhou Yuanbang Real Estate Development Co., Ltd.*	PRC	96%	96%	Property development and investment holding, PRC
Guangzhou Changhao Real Estate Consultancy Co., Ltd.*	PRC	60%	60%	Property sales and marketing and investment holding, PRC
Nanchang Changhao Real Estate Consultancy Co., Ltd.*	PRC	100%	100%	Property sales and marketing, PRC
Spirit World Holdings Limited	BVI	100%	100%	Investment holding, HK
Aqualake Holdings Limited	BVI	51%	51%	Investment holding, HK
New Zhong Yuan (Nanchang) Real Estate Co., Ltd. ("New Zhong Yuan")*	PRC	51%	51%	Property development and management, PRC

# Notes to the Financial Statements

for the year ended 30 June 2018

## 12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration	Effective percentage of equity interest held by the Company		Principal activities and principal place of business
		2018	2017	
<b>Indirectly held:</b> (Continued)				
Aqualake (HK) Group Limited	HK	51%	51%	Investment holding, HK
Guangzhou Guangjin Real Estate Development Co., Ltd.*	PRC	100%	100%	Property development, PRC
Wanyuan Yuanbang Resort Development Co., Ltd. ("Wanyuan Resort")*	PRC	82%	82%	Resort development and investment holding, PRC
Wanyuan Dabashan Tourism Co., Ltd.*	PRC	82%	82%	Tourism development, PRC
Wanyuan Yuanbang Property Development Co., Ltd.*	PRC	82%	82%	Property development, PRC
Wanyuan Mingyue Bashan Hotel Management Co., Ltd.*	PRC	82%	82%	Hotel business and tourism development, PRC
Wanyuan Yuanbang Property Management Co., Ltd.*	PRC	82%	82%	Property management, PRC
Wanyuan Yuanbang Modern Agricultural Development Co., Ltd.*	PRC	82%	82%	Agricultural tourism development, PRC
Tonghua Litong Real Estate Development Co., Ltd. ("Tonghua Litong")*	PRC	51%	51%	Property development, PRC
Huizhou Nanhao Speaker Co., Ltd.*	PRC	75%	75%	Property development, PRC
Huizhou The Jins Hardware Electronics Co., Ltd.*	PRC	75%	75%	Property development, PRC
Huizhou Mengte Clothing Co., Ltd.*	PRC	75%	75%	Property development, PRC

# Notes to the Financial Statements

for the year ended 30 June 2018

## 12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration	Effective percentage of equity interest held by the Company		Principal activities and principal place of business
		2018	2017	
Indirectly held: (Continued)				
Huizhou Shaoyang Family Property Co., Ltd*	PRC	75%	75%	Property development, PRC
Weihai City Golden Harbor Real Estate Development Co., Ltd ("Weihai City Golden Harbor")*	PRC	75%	75%	Property development, PRC
Guangzhou Guangfu Property Development Co., Ltd.*	PRC	100%	100%	Property development, PRC
Guangzhou Yuanfu Real Estate Development Co., Ltd.*	PRC	100%	100%	Property development, PRC
Guangzhou Yuanbang Market Operations Management Co., Ltd.*	PRC	100%	100%	Property management, PRC
Rushan Fuyunlai Industry Co., Ltd **/**	PRC	100%	100%	Tourism development, PRC

\* The English translation of the company name is for reference only, the official name of these companies are in Chinese.

\*\* As at 30 June 2018, the registered capital has not been fully paid up.

The financial statements of the above subsidiaries for the years ended 30 June 2017 and 2018 have been audited by BDO Limited, Certified Public Accountants, Hong Kong for the purpose of incorporation into the Group's financial statements.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 12. INTERESTS IN SUBSIDIARIES (Continued)

Set out below are the summarised financial information for the subsidiaries that had non-controlling interests which is material to the Group, before any elimination. In the opinion of the Directors, the remaining non-disclosed non-controlling interests are individually immaterial.

	New Zhong Yuan		Tonghua Litong		Weihai City Golden Harbor		Wanyuan Resort	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-controlling interests percentage</b>	<b>49%</b>	49%	<b>49%</b>	49%	<b>25%</b>	25%	<b>18%</b>	18%
<b>Summarised statement of financial position</b>								
<b>As at 30 June</b>								
<b>Current</b>								
Assets	769,825	831,526	1,682,430	1,702,057	287,255	277,278	204,737	201,697
Liabilities	(165,175)	(229,655)	(1,407,007)	(1,177,133)	(264,129)	(243,901)	(281,087)	(265,712)
<b>Total net current assets</b>	<b>604,650</b>	601,871	<b>275,423</b>	524,924	<b>23,126</b>	33,377	<b>(76,350)</b>	(64,015)
<b>Non-current</b>								
Assets	6,406	5,599	1,130	1,529	478	712	91,530	84,017
Liabilities	(8,703)	(8,703)	(191,000)	(445,000)	(43,667)	(50,680)	(5,000)	-
<b>Total net non-current (liabilities)/assets</b>	<b>(2,297)</b>	(3,104)	<b>(189,870)</b>	(443,471)	<b>(43,189)</b>	(49,968)	<b>86,530</b>	84,017
<b>Net assets/(liabilities)</b>	<b>602,353</b>	598,767	<b>85,553</b>	81,453	<b>(20,063)</b>	(16,591)	<b>10,180</b>	20,002
<b>Accumulated non-controlling interests</b>	<b>295,153</b>	293,396	<b>41,921</b>	39,912	<b>(5,016)</b>	(4,148)	<b>1,832</b>	3,600
<b>Summarised statement of comprehensive income</b>								
<b>For the year ended 30 June</b>								
Revenue	110,872	328,540	393,277	138,672	-	-	-	-
Profit/(Loss) before income tax	8,810	46,342	20,040	2,341	(3,422)	(6,801)	(9,822)	(4,990)
Income tax expense	(5,224)	(17,926)	(15,940)	(8,834)	(50)	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>3,586</b>	28,416	<b>4,100</b>	(6,493)	<b>(3,472)</b>	(6,801)	<b>(9,822)</b>	(4,990)

# Notes to the Financial Statements

for the year ended 30 June 2018

## 12. INTERESTS IN SUBSIDIARIES (Continued)

	New Zhong Yuan		Tonghua Litong		Weihai City Golden Harbor		Wanyuan Resort	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total comprehensive income allocated to non-controlling interests	1,757	13,924	2,009	(3,182)	(868)	(1,700)	(1,768)	(898)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-
Summarised statement of cash flows								
For the year ended 30 June								
Cash flows generated from/(used in) operating activities	30,800	26,653	164,297	199,358	(7,947)	(33,794)	43,323	(17,591)
Cash flows (used in)/generated from investing activities	(19,325)	(28,893)	(120,000)	125,018	-	24,286	(32,524)	(11,793)
Cash flows (used in)/generated from financing activities	-	-	(254,000)	(170,558)	8,454	9,859	(11,000)	29,000
Net cash inflow/(outflow)	11,475	(2,240)	(209,703)	153,818	507	351	(201)	(384)

# Notes to the Financial Statements

for the year ended 30 June 2018

## 13. PROPERTY, PLANT AND EQUIPMENT

### Group

	Leasehold buildings RMB'000	Leasehold improvements RMB'000	Parks and other properties RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 July 2016</b>							
Cost	16,443	25,992	18,655	10,598	27,962	23,044	122,694
Accumulated depreciation	(4,554)	(16,236)	(903)	(7,051)	(24,229)	–	(52,973)
<b>Net carrying amount</b>	<b>11,889</b>	<b>9,756</b>	<b>17,752</b>	<b>3,547</b>	<b>3,733</b>	<b>23,044</b>	<b>69,721</b>
<b>Year ended 30 June 2017</b>							
Opening net carrying amount	11,889	9,756	17,752	3,547	3,733	23,044	69,721
Additions	–	492	–	829	2,825	40,522	44,668
Disposals	–	(64)	–	–	(299)	–	(363)
Transfers (note 14)	–	–	11,027	–	–	(11,027)	–
Depreciation	(749)	(4,036)	(1,484)	(1,248)	(1,787)	–	(9,304)
<b>Closing net carrying amount</b>	<b>11,140</b>	<b>6,148</b>	<b>27,295</b>	<b>3,128</b>	<b>4,472</b>	<b>52,539</b>	<b>104,722</b>
<b>At 30 June 2017 and 1 July 2017</b>							
Cost	16,443	26,404	29,682	11,418	28,753	52,539	165,239
Accumulated depreciation	(5,303)	(20,256)	(2,387)	(8,290)	(24,281)	–	(60,517)
<b>Net carrying amount</b>	<b>11,140</b>	<b>6,148</b>	<b>27,295</b>	<b>3,128</b>	<b>4,472</b>	<b>52,539</b>	<b>104,722</b>
<b>Year ended 30 June 2018</b>							
Opening net carrying amount	11,140	6,148	27,295	3,128	4,472	52,539	104,722
Additions	–	–	–	355	235	10,088	10,678
Disposals	–	–	–	–	(21)	–	(21)
Transfer	–	–	32,943	–	–	(32,943)	–
Depreciation	(700)	(4,150)	(2,059)	(637)	(534)	–	(8,080)
<b>Closing net carrying amount</b>	<b>10,440</b>	<b>1,998</b>	<b>58,179</b>	<b>2,846</b>	<b>4,152</b>	<b>29,684</b>	<b>107,299</b>
<b>At 30 June 2018</b>							
Cost	16,443	26,404	62,625	11,773	28,538	29,684	175,467
Accumulated depreciation	(6,003)	(24,406)	(4,446)	(8,927)	(24,386)	–	(68,168)
<b>Net carrying amount</b>	<b>10,440</b>	<b>1,998</b>	<b>58,179</b>	<b>2,846</b>	<b>4,152</b>	<b>29,684</b>	<b>107,299</b>

# Notes to the Financial Statements

for the year ended 30 June 2018

## 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The leasehold buildings of the Group are located at Guangzhou, Guangdong Province, the PRC with lease terms expiring in 2052 (2017: 2052).

At 30 June 2018, certain parks and other properties of the Group with carrying amount of approximately RMB27,396,000 (2017: RMB13,065,000) and certain construction in progress of the Group with carrying amount of approximately RMB2,752,000 (2017: 13,152,000) were pledged to secure loans from banks and other financial institutions of the Group (note 25(a)).

At 30 June 2018, none of Group's leasehold buildings were pledged as security for borrowings extended to contractors of the Group. At 30 June 2017, certain leasehold buildings of the Group with carrying amount of approximately RMB8,078,000 were pledged as security for the borrowings from banks and other financial institutions extended to Guangdong Hongda Construction and Installation Co., Ltd. ("Hongda") and Guangdong Meihao Huang Decoration Engineering Co., Ltd. ("Meihao Huang"), contractors of the Group (note 36(b)). Meihao Huang is also the non-controlling equity holder of Tonghua Litong.

At 30 June 2018, certain of other properties of the Group with carrying amount of approximately RMB16,061,000 (2017: RMB9,006,000) for which the Group is still in the process of obtaining the property ownership certificates. In the opinion of the Directors, the Group has obtained the right to use these other properties. As advised by the Group's PRC legal adviser, there is no legal impediment for the Group to obtain these property ownership certificates.

Depreciation charges have been included in:

	<b>Group</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Consolidated statement of financial position		
– Capitalised in properties held under development	<b>146</b>	105
– Capitalised in construction in progress under property, plant and equipment	<b>29</b>	100
	<b>175</b>	205
Consolidated statement of comprehensive income (note 7)		
– Selling expenses	<b>319</b>	259
– Administrative expenses	<b>6,672</b>	8,151
– Other operating expenses	<b>914</b>	689
	<b>7,905</b>	9,099
	<b>8,080</b>	9,304

# Notes to the Financial Statements

for the year ended 30 June 2018

## 14. INVESTMENT PROPERTIES

	Group 2018 RMB'000	2017 RMB'000
Carrying amount at beginning of the year	589,200	535,607
Disposals	(6,907)	–
Fair value adjustments	4,507	53,593
Carrying amount at end of the year	586,800	589,200

Investment properties included leasehold interests in land located in the PRC with lease terms expiring from 2052 to 2058 (2017: 2052 to 2058). For the years ended 30 June 2018 and 2017, certain investment properties of the Group were leased out to non-related parties for rental income under operating lease (note 6).

At 30 June 2018, certain investment properties of the Group with carrying amount of approximately RMB517,400,000 (2017: RMB532,911,000) and RMBnil (2017: RMB51,589,000) were pledged to secure loans from banks and other financial institutions of the Group (note 25(a)) and borrowings from banks and other financial institutions extended to Hongda, a contractor of the Group (note 36(b)), respectively.

The fair value of the investment properties as at 30 June 2018 and 2017 was revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLLS"), an independent qualified professional valuer who have the relevant experience in the location and category of properties being valued, which were based on the income approach by taking into account the net rental income derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations, size and other conditions.

During the year ended 30 June 2018, the Group entered into a sale and purchase agreement to dispose of certain investment properties with a carrying amount of approximately RMB6,907,000 to certain independent third parties at a consideration of approximately RMB6,400,000. The transaction has been completed during the year.

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	Group 2018 RMB'000	2017 RMB'000
Opening balance (level 3 recurring fair value)	589,200	535,607
Disposals	(6,907)	–
Change in fair value of investment properties	4,507	53,593
Closing balance (level 3 recurring fair value)	586,800	589,200
Change in unrealised gains for the year included in profit or loss for assets held at 30 June	4,507	53,593

# Notes to the Financial Statements

for the year ended 30 June 2018

## 14. INVESTMENT PROPERTIES (Continued)

The following table shows the significant unobservable inputs used in the valuation model:

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Range of unobservable inputs	
					2018	2017
Commercial offices	3	Income approach	Reversionary yield	The higher the reversionary yield, the lower the fair value	5.00%	5.00%
			Reversionary monthly rental income (RMB/sq m)	The higher the reversionary monthly rental income, the higher the fair value	60.60 – 125.40	60.60 – 125.40
Retail units	3	Income approach	Reversionary yield	The higher the reversionary yield, the lower the fair value	5.00%	5.00%
			Reversionary monthly rental income (RMB/sq m)	The higher the reversionary monthly rental income, the higher the fair value	29.10 – 508.50	26.40 – 508.50
Industrial units	3	Income approach	Reversionary yield	The higher the reversionary yield, the lower the fair value	6.50%	6.50%
			Reversionary monthly rental income (RMB/sq m)	The higher the reversionary monthly rental income, the higher the fair value	9.00	9.00

There was no change to the valuation techniques during the years.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 15. LAND USE RIGHTS

	Group 2018 RMB'000	2017 RMB'000
<b>At beginning of the year</b>		
Cost	12,316	12,316
Accumulated amortisation	(1,935)	(1,648)
Net carrying amount	10,381	10,668
<b>For the year ended</b>		
Opening net carrying amount	10,381	10,668
Amortisation ( <i>note 7</i> )	(287)	(287)
Closing net carrying amount	10,094	10,381
<b>At end of the year</b>		
Cost	12,316	12,316
Accumulated amortisation	(2,222)	(1,935)
Net carrying amount	10,094	10,381

Land use rights represented leasehold interests in land located in the PRC with lease terms expiring from 2042 to 2072 (2017: 2042 to 2072).

At 30 June 2017, all land use rights of the Group were pledged as security for the borrowings from banks and other financial institutions extended to Hongda and Meihao Huang, contractors of the Group (*note 36(b)*). Such borrowings were repaid during the year.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 16. LOAN RECEIVABLE

	Group 2018 RMB'000	2017 RMB'000
Fixed-rate loan receivable	24,952	—
Analysed as:		
Current	6,152	—
Non-current	18,800	—
	24,952	—

The loan receivable is due from a related company, of which its legal representative is the executive director of the Company. The loan is interest bearing at 16% per annum and repayable by 20% and 80% of the principal amount at the 12th month immediately following the drawdown date (i.e. 11 February 2018) and within 18 months from drawdown date respectively in accordance with the terms of loan agreement. The Group does not hold any collateral over the loan receivable.

The loan receivable is neither past due nor impaired at the end of the reporting period. Management believes that no impairment allowance is necessary in respect of the loan receivable as there is not a significant change in credit quality and the balance is still considered fully recoverable.

The Directors consider that the fair value of loan receivable is not materially different from its carrying amount.

## 17. PROPERTIES HELD UNDER DEVELOPMENT

	Group 2018 RMB'000	2017 RMB'000
Leasehold interests in land located in the PRC	244,027	329,758
Development costs	1,111,200	649,123
Borrowing costs capitalised	353,427	350,929
	1,708,654	1,329,810

Leasehold interests in land are located in the PRC and have lease terms expiring from 2045 to 2082 (2017: 2045 to 2082).

# Notes to the Financial Statements

for the year ended 30 June 2018

## 17. PROPERTIES HELD UNDER DEVELOPMENT (Continued)

At 30 June 2018, certain properties held under development with carrying amounts of approximately RMB4,470,000 (2017: RMB4,470,000) and RMB380,431,000 (2017: RMB500,121,000) were pledged to secure loans from banks and other financial institutions (*note 25(a)*) and other loans (*note 25(b)*) respectively of the Group.

At 30 June 2018, properties held under development amounted to approximately RMB581,255,000 (2017: RMB671,204,000) are expected to be recovered within 12 months. On completion, the properties are transferred to properties held for sale.

At 30 June 2018, certain properties held under development with a carrying amount of approximately RMB38,628,000 (2017: RMB30,276,000) were frozen by court under lawsuits (*note 24*).

## 18. PROPERTIES HELD FOR SALE

	Group 2018 RMB'000	2017 RMB'000
Gross carrying amount	1,450,373	2,016,214
Less: Write down to net realisable value	(71,508)	(66,355)
Net carrying amount	1,378,865	1,949,859

Properties held for sale included leasehold interests in land located in the PRC with lease terms expiring from 2042 to 2081 (2017: 2042 to 2081). At 30 June 2018, the carrying value of the operating lease up-front payments on the leasehold interests in land amounted to approximately RMB187,730,000 (2017: RMB236,630,000).

At 30 June 2018, certain properties held for sale with carrying amounts of RMBnil (2017: approximately RMB504,189,000) and approximately RMB1,004,949,000 (2017: RMB404,768,000) were pledged to secure loans from banks and other financial institutions (*note 25(a)*) and other loan (*note 25(b)*) of the Group respectively.

At 30 June 2018, certain properties held for sale with carrying amounts of approximately RMB28,256,000 was pledged as security for borrowings from banks and other financial institutions extended to Meihao Huang, a contractor of the Group (*note 36(b)*).

# Notes to the Financial Statements

for the year ended 30 June 2018

## 18. PROPERTIES HELD FOR SALE (Continued)

At 30 June 2017, certain properties held for sale with carrying amounts of approximately RMB66,743,000 and RMB10,387,000 were pledged as security for borrowings from banks and other financial institutions extended to Meihao Huang and Guangzhou Po Xin Decoration Design Co., Ltd ("Po Xin"), contractors of the Group (note 36(b)).

At 30 June 2018, certain properties held for sale with carrying amount of RMB19,062,000 (2017: approximately RMB19,062,000) were pledged as security for the borrowings from banks and other financial institutions extended to a company which is related to the non-controlling equity owners of New Zhong Yuan with maximum amount of approximately RMB65,000,000 (2017: RMB65,000,000).

The write down to net realisable value is determined with reference to the estimated future selling prices of certain slow-moving properties held for sale.

During the year ended 30 June 2018, the write down of RMB5,153,000 (2017: RMB2,740,000) has been recognised in cost of properties held for sale recognised as expenses and other costs. No reversal of any write down of inventory has been recognised for the years ended 30 June 2018 and 2017.

## 19. ACCOUNTS RECEIVABLE

	Group 2018 RMB'000	2017 RMB'000
Accounts receivable	35,766	32,847
Less: Impairment losses recognised	(45)	(45)
	35,721	32,802

Receivables in respect of sales of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

The ageing analysis of accounts receivable that were neither individually nor collectively considered to be impaired is as follows:

	Group 2018 RMB'000	2017 RMB'000
Neither past due nor impaired	—	—
Less than 90 days past due	2,987	32,802
91 to 120 days past due	—	—
More than 120 days past due	32,734	—
	35,721	32,802

# Notes to the Financial Statements

for the year ended 30 June 2018

## 19. ACCOUNTS RECEIVABLE (Continued)

At 30 June 2018, accounts receivable included the amount of approximately RMB32,730,000 (2017: RMB32,730,000) representing the receivable due from the purchaser of a property in Aqua Lake Grand City. In June 2018, the Group has commenced a legal proceeding against the purchaser and certain equityholders of that purchaser (collectively referred to as the "Defendants") as they have breached the sale and purchase agreement for failing to settle outstanding balance of consideration of approximately RMB32,730,000. The Group demanded repayment of the outstanding consideration of approximately RMB32,730,000 from the Defendants, and further claimed a sum of approximately RMB23,160,000, being default interest and penalty for breaching the agreement and the cost of legal proceeding. Subsequent to the reporting date July 2018, the court has accepted the lodged application of legal proceeding and is scheduling the first trial in court. As pursuant to the legal opinion from the Group's PRC legal adviser, the legal proceeding shall be in favour to the Group; and the Directors are of the view that the outstanding amount of approximately RMB32,730,000 would be recoverable from the Defendants.

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. Apart from the account receivable mentioned above, other accounts receivable relate to certain independent buyers for whom there was no recent history of default. The Directors believed that no impairment allowance is necessary as the balance is still considered to be fully recoverable.

The below table reconciles the impairment loss of accounts receivable for the years ended 30 June 2018 and 2017:

	Group 2018 RMB'000	2017 RMB'000
At 1 July and 30 June	45	45

The Group recognised impairment loss on accounts receivable on individual and collective assessment based on accounting policy stated in note 3.7.

The Group did not hold any collateral as security or other credit enhancements over the accounts receivable, whether determined on an individual or collective basis.

The Directors considered that the fair values of accounts receivable which are expected to be recovered within one year are not materially different from their carrying amounts because these amounts have short maturity periods on their inception at the reporting date.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 20. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES

	Notes	Group		Company	
		2018	2017	2018	2017
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current asset:					
Deposit paid	(a)	85,000	—	—	—
Current assets:					
Prepayments	(b)	104,834	131,613	—	—
Deposits paid	(c)	5,174	15,479	—	—
Other receivables	(d)	655,617	629,478	1,406	1,447
Less: Impairment loss recognised for other receivables		(13,593)	(11,186)	—	—
		752,032	765,384	1,406	1,447

### Notes:

- (a) At 30 June 2018, the deposit paid represented the payment made to the independent third parties for the possible acquisition of interest in a land use right in respect of land parcel in Guangzhou by way of acquisition of equity interest.
- (b) At 30 June 2018 and 2017, prepayments substantially represented the advances made to the subcontractors for purchase of construction materials.
- (c) At 30 June 2018, the balance mainly represented the deposit paid of approximately RMB5,000,000 (2017: RMB15,000,000) for proposed development of certain land parcels in Conghua City, Guangdong Province.
- (d) At 30 June 2018, other receivables included the amounts of approximately RMB272,249,000 (2017: RMB255,450,000) due from certain companies which are related to the non-controlling equity owners of New Zhong Yuan. The balances are interest-free, repayable on demand and secured by the equity interest in New Zhong Yuan held by the non-controlling equity owners except for the amount due from the non-controlling equity owners with carrying amount of RMB565,000 (2017: RMB11,012,000) as at 30 June 2018 which bears fixed interest rate of 16.96% (2017: 16.96%) per annum and repayable on demand.

Except for the above, other receivables with carrying amount of approximately RMB190,442,000 (2017: RMB202,360,000) was unsecured, interest-free and repayable on demand and/or to be set off against construction costs.

The other receivables that were neither past due nor impaired related to counterparties for which there were no recent history of default.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 20. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES (Continued)

The below table reconciles the impairment loss of other receivables for the years ended 30 June 2018 and 2017:

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July	11,186	7,685	—	—
Add: Provision for impairment loss (note 7)	2,407	3,501	—	—
At 30 June	13,593	11,186	—	—

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis and recognises the impairment loss on receivables based on the accounting policy stated in note 3.7.

At 30 June 2018, the Group has determined other receivables of approximately RMB13,593,000 (2017: RMB11,186,000) as individually impaired. Impairment loss of RMB2,407,000 (2017: RMB3,501,000) has been recognised in profit or loss during the year ended 30 June 2018.

The carrying amounts of other receivables approximate their fair values as these financial assets which are measured at amortised cost, are expected to be repaid within a short time scale, such that the time value of money is not significant.

## 21. DUE FROM CUSTOMER FOR CONTRACT WORK

	Group	
	2018	2017
	RMB'000	RMB'000
Contract costs incurred plus recognised profit less foreseeable losses	109,611	—
Less: progress billings	(87,167)	—
	22,444	—
Analysed for reporting purposes as:		
Due from customer for contract work	22,444	—

# Notes to the Financial Statements

for the year ended 30 June 2018

## 22. CASH AND BANK BALANCES

		Group 2018 RMB'000	2017 RMB'000
	Notes		
Cash and bank balances	(a)	180,310	523,431
Less:			
Deposits pledged against banking facilities granted to the mortgagees	(b)	(8,963)	(12,321)
Deposits restricted for bank and other loans	(c)	(4,668)	(97,107)
Deposits restricted for acquisition of land use rights		(5,328)	(5,313)
		(18,959)	(114,741)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows		161,351	408,690

Notes:

- (a) Cash at banks earns interest at floating rates based on daily bank deposit rates. At 30 June 2018, no bank balance (2017: approximately RMB9,000) was frozen by court under lawsuits (note 24).
- (b) The deposits were pledged to certain banks as securities in the PRC as detailed in note 36. These banks provided mortgage loans to purchasers for acquisition of properties from the Group. The pledge will last for the period from the date of draw-down of mortgage loans to the date when the individual building ownership certificates are granted to the property purchasers. Such charges will be released upon the certificates are granted to the property purchasers.
- (c) At 30 June 2018, the bank deposits represented amounts of approximately RMB4,668,000 (2017: RMB96,927,000) (note 25(a)) and RMBnil (2017: RMB180,000) (note 25(b)) with floating interest rates ranging from 0.08% to 0.30% (2017: 0.08% to 0.30%) per annum were pledged against bank and other loans with carrying amounts of approximately RMB110,600,000 (2017: RMB231,000,000) (note 25(a)) and RMBnil (2017: RMB445,000,000) (note 25(b)) respectively. The pledge will last for the period from the date of draw down of secured bank and other loans to the date when the bank and other loans are fully settled which is not later than September 2031 (2017: February 2019).

At 30 June 2018, the Group had deposits and cash denominated in RMB amount to approximately RMB180,057,000 (2017: RMB523,003,000), which were deposited with the banks in the PRC or held in hand. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

## 23. RECEIPTS IN ADVANCE

Receipts in advance represented instalments of sale proceeds received from the buyers in connection with the Group's pre-sale of properties.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 24. ACCOUNTS PAYABLE, ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts payable	654,664	537,572	—	—
Accruals	57,210	53,569	9,888	8,844
Refundable deposits made by property purchasers	622,924	778,071	—	—
Other payables (note)	271,816	353,897	—	—
	951,950	1,185,537	9,888	8,844

Note:

At 30 June 2018, other payables included the amounts of approximately RMB67,754,000 (2017: RMB70,306,000) due to the senior management and non-controlling equity owners of Tonghua Litong. The balances are interest-free, unsecured, repayable on demand.

At 30 June 2018, other payables included the amount of approximately RMB25,347,000 (2017: RMB23,895,000) representing the accruals made for the settlement of the legal actions against the Group. The Group was made a defendant in lawsuits brought by four (2017: four) subcontractors of the Group's property development project (the "Plaintiffs"), inclusive of claim disputes between the Group and the Plaintiffs (the "Petition"). It was alleged in the Petition, inter alia, that the Group still had an aggregate outstanding payment of RMB25,347,000 (2017: RMB23,895,000) (the "Claims") to the Plaintiffs in respect of the extra costs and default interest incurred for previous construction contracts between the Plaintiffs and the Group. On application of the Plaintiffs petitioned, total 106 (2017: 86) residential units of property held under development (the "Frozen PUD Units") amounted to approximately RMB38,628,000 (2017: RMB30,276,000) (note 17), and no bank balance (2017: approximately RMB9,000) (note 22) was frozen by the court until the Group settle the Claims, together with default interest and relevant costs.

On 29 March 2017, a court judgement in respect of one of the aforesaid lawsuits was handed down in which the plaintiff was permitted to obtain 49 units of the Frozen PUD Units (the "49 Frozen PUD Units") for the full settlement of the outstanding claim amount of approximately RMB13,918,000. However, the 49 Frozen PUD Units have not yet been transferred and taken over by the plaintiff as at the date of this report, and as advised by the Group's PRC legal adviser, the Directors considered the risk and rewards of the 49 Frozen PUD Units were retained in the Group.

At 30 June 2018, other payables included the amount of approximately RMB34,000,000 (2017: RMB34,000,000) representing the consideration received from an independent third party relating to the disposal of its 25% equity interest in Wanyuan Resort ("Disposal") in December 2016. Up to the date of this report, the transaction was not yet completed due to certain conditions have not been fulfilled. Details of the Disposal are set out in an announcement of the Company dated 28 December 2016.

As at 30 June 2018, no advances received from customers for contract work were included in the Group's other payables (2017: RMB87,167,000).

At 30 June 2018 and 2017, other payables of the Group were unsecured, interest-free and repayable on demand.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 25. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group 2018 RMB'000	2017 RMB'000
	Notes		
Loans from banks and other financial institutions– secured	(a)	217,318	486,374
Other loans – secured	(b)	518,165	654,345
Other loans – unsecured	(c)	23,740	44,206
<b>Total bank and other borrowings</b>		<b>759,223</b>	<b>1,184,925</b>

The analysis of the carrying amount of the bank and other loans is as follows:

	Group 2018 RMB'000	2017 RMB'000
Loans from banks and other financial institutions repayable		
– within one year	57,339	284,867
– in the second to fifth year	96,179	116,009
– over five years	63,800	85,498
	<b>217,318</b>	<b>486,374</b>
Other loans repayable		
– within one year	210,905	239,326
– in the second to fifth year	331,000	459,225
	<b>541,905</b>	<b>698,551</b>
<b>Total bank and other borrowings</b>	<b>759,223</b>	<b>1,184,925</b>
Less: Portion due within one year included under current liabilities	(268,244)	(524,193)
<b>Non-current portion included under non-current liabilities</b>	<b>490,979</b>	<b>660,732</b>

Notes:

- (a) At 30 June 2018, the Group's loans from banks and other financial institutions are secured by the pledge of the Group's property, plant and equipment of approximately RMB27,396,000 (2017: RMB13,065,000) (note 13), construction in progress approximately RMB2,752,000 (2017: RMB13,152,000) (note 13), investment properties of approximately RMB517,400,000 (2017: RMB532,911,000) (note 14), properties held under development of approximately RMB4,470,000 (2017: RMB4,470,000) (note 17), properties held for sale of RMBnil (2017: approximately RMB504,189,000) (note 18) and bank deposits of approximately RMB4,668,000 (2017: RMB96,927,000) (note 22).

At 30 June 2018, the Group's loans from banks and other financial institutions are denominated in RMB and certain amounts approximately of RMB57,339,000 (2017: RMB284,867,000) are repayable in full no later than 20 June 2019 (2017: 20 March 2018) and bore interests at certain percentage above the benchmark lending rate of People's Bank of China ("PBOC") per annum. The effective interest rate was ranging from 5.71% to 8.82% (2017: from 4.56% to 9.18%) per annum.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 25. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

- (b) On 12 August 2014, one of the PRC subsidiaries, Tonghua Litong entered into an entrusted loan agreement of RMB400,000,000 with a financial institution in the PRC, which the loan bore fixed interest rate of 10.50% per annum, and expired on 11 August 2016 and the entrusted loan had been fully repaid during the year ended 30 June 2017. On 14 August 2015, Tonghua Litong entered into a loan agreement with the same financial institution of RMB100,000,000 which bore interest rate of 11.50% per annum, and expired on 10 August 2017 and the respective loan had been fully repaid during the year ended 30 June 2017. During the year ended 30 June 2017, Tonghua Litong entered into another new loan agreement with the same financial institution with principal amount of RMB500,000,000 which bore interest rate of 7.50% per annum, and expires on 20 December 2021. The outstanding amount of the respective loan was RMB191,000,000 as at 30 June 2018.

The above loan was secured by (i) properties held under development and properties held for sales of Tonghua Litong; and (ii) guarantees by the Group and the owner of non-controlling interests of Tonghua Litong. At 30 June 2018, properties held under development, properties held for sale and bank deposits of Tonghua Litong with net carrying amounts of approximately RMB297,555,000 (2017: RMB420,130,000) (*note 17*), RMB797,407,000 (2017: RMB199,181,000) (*note 18*) and RMBnil (2017: RMB180,000) (*note 22*) respectively were pledged to secure the other loan borrowed by Tonghua Litong.

At 30 June 2018, the Group's other loans with a carrying amount of approximately RMB26,000,000 (2017: RMB26,000,000) which is repayable on 26 December 2018 (2017: 26 December 2018) and bore the interest rates at certain percentage above the benchmark lending rate of PBOC, the effective interest rate was ranging from 5.30% to 7.67% (2017: from 5.30% to 7.67%) per annum. The respective other loans were secured by the properties held under development and properties held for sales with carrying amounts of approximately RMB82,876,000 (2017: RMB79,991,000) (*note 17*) and RMB207,542,000 (2017: RMB205,587,000) (*note 18*) respectively.

On 11 December 2017, one of the PRC subsidiaries, Guangdong Yuanbang entered into an entrusted loan agreement of RMB200,000,000 with a financial institution in the PRC, which the loan bore fixed interest rate of 14.15% per annum, and expired on 10 December 2019. The loan was secured by a leasehold land owned by certain independent third parties ("the Land Owners") and was under personal guarantee executed by the Land Owners with their couples, Chen Jianfeng and Lin Yeju.

At 30 June 2018, the Group's secured other loans are denominated in RMB (2017: RMB).

- (c) Except for the amount of approximately RMB23,740,000 (2017: RMB24,206,000) which are denominated in Hong Kong Dollars ("HK\$") and bear fixed interest rate of 9.71% (2017: 9.71%) per annum, the remaining other loans are denominated in RMB with interest rates at certain percentage above the benchmark lending rate of PBOC, the interest rate was ranging from 6.09% to 10.00% (2017: 6.09% to 10.00%) per annum as at 30 June 2018. The other loans under current portion are repayable from July 2018 to June 2019 (2017: July 2017 to June 2018). The other loans under non-current portion are repayable after 12 months to 42 months (2017: 12 months to 54 months) from the year ended 30 June 2018.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 26. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using principle taxation rate of 25% (2017: 25%) for the year.

The analysis of deferred tax assets/(liabilities) is as follows:

	Group 2018 RMB'000	2017 RMB'000
Deferred tax assets, expected to be realised:		
after 12 months	29,952	41,063
within 12 months	4,113	8,675
	34,065	49,738
Deferred tax liabilities to be settled after more than 12 months	(139,876)	(138,749)
<b>Deferred tax liabilities, net</b>	<b>(105,811)</b>	<b>(89,011)</b>

The following are the major deferred tax (liabilities)/assets recognised by the Group and the movements thereon during the year.

	Deferred tax liabilities			Deferred tax assets			
	Revaluation of properties held for/under development RMB'000	Revaluation of investment properties RMB'000	Subtotal RMB'000	LAT RMB'000	Tax losses RMB'000	Subtotal RMB'000	Total RMB'000
<b>At 1 July 2016</b>	(15,284)	(110,068)	(125,352)	30,407	18,977	49,384	(75,968)
(Charged)/Credited to profit or loss (note 9)	–	(13,397)	(13,397)	(4,241)	4,595	354	(13,043)
<b>At 30 June 2017 and 1 July 2017</b>	(15,284)	(123,465)	(138,749)	26,166	23,572	49,738	(89,011)
(Charged)/Credited to profit or loss (note 9)	–	(1,127)	(1,127)	(1,387)	(14,286)	(15,673)	(16,800)
<b>At 30 June 2018</b>	<b>(15,284)</b>	<b>(124,592)</b>	<b>(139,876)</b>	<b>24,779</b>	<b>9,286</b>	<b>34,065</b>	<b>(105,811)</b>

# Notes to the Financial Statements

for the year ended 30 June 2018

## 26. DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

At 30 June 2018, the Directors anticipated that there would be a substantial amount of revenue recognised in the next financial year as some of the property development projects held by the Group were in the final stage of construction as at the reporting date and it would be ready for delivery upon the completion. The Directors expected that it is probable that sufficient taxable profit of certain PRC subsidiaries will be available to allow the benefit of the tax losses of approximately RMB37,144,000 (2017: RMB94,284,000) to be utilised. The deferred tax assets of these tax losses of approximately RMB9,286,000 (2017: RMB23,572,000) have been recognised accordingly. For other subsidiaries that have been loss-making for some time, their deferred tax assets have not been recognised in respect of the estimated unused tax losses due to unpredictability of future profit streams. The unused tax losses of the PRC subsidiaries will expire in five years from the reporting date.

According to the implementation rules, a reduced withholding tax rate of 10% will be imposed on dividends distributed to foreign investors of companies in the PRC, unless a lower rate applies for tax-treaty countries.

At the reporting date, deferred tax liabilities in respect of aggregate amount of temporary difference of approximately RMB159,945,000 (2017: RMB236,799,000) associated with undistributed earnings of PRC subsidiaries have not been recognised. At 30 June 2017 and 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. It is because in the opinion of the Directors, it is not probable that these subsidiaries will distribute their earnings accrued from 1 July 2008 to 30 June 2018 in the foreseeable future. Accordingly, no deferred tax liabilities have been recognised as at 30 June 2017 and 2018.

## 27. SHARE CAPITAL

Movement of share capital of the Company is summarised below:

	Number of shares '000	Amount RMB'000
<b>Authorised:</b>		
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018, ordinary share of HK\$2 each	300,000	588,812
<b>Issued and fully paid:</b>		
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018, ordinary share of HK\$2 each	69,400	133,882

## 28. RESERVES

### Share premium

The share premium account of the Group/Company represented the premium arising from the issue of shares of the Company at a premium. Under the bye-laws of the Company, the share premium account is not distributable.

### Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the restructuring exercise to rationalise the structure of the Group in the preparation for the initial public offering of the Company's shares on the SGX-ST on 9 May 2007 ("Restructuring Exercise"). Details of Restructuring Exercise were set out in the Company's prospectus dated 26 April 2007.

### Contributed surplus

The contributed surplus of the Company represents the difference between the net tangible asset value of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Restructuring Exercise.

### Statutory reserve

The statutory reserve represents the appropriation of profits retained by the PRC subsidiaries. In accordance with PRC accounting standards and regulations and the respective articles of association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate an amount not less than 10% of profit after income tax each year to the statutory reserve, until the balance of the statutory reserve reaches 50% of the registered capital of the PRC subsidiaries. The transfer to this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

### Revaluation reserve

Revaluation reserve of the Group represents the difference between the carrying value and fair value of property when an owner-occupied property becomes an investment property which will be carried at fair value.

### Translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of a subsidiary whose functional currency is different from that of the Group's presentation currency which is RMB and non-distributable.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 29. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- (i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;
- (ii) To support the Group's stability and growth; and
- (iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The capital structure of the Group consists of debts, which mainly includes accounts and other payables and bank and other borrowings disclosed in notes 24 and 25, respectively, and cash and bank balances, and total equity comprising equity attributable to owners of the Company and non-controlling interests.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 29. CAPITAL MANAGEMENT (Continued)

No changes were made in the objectives, policies or processes during the current and previous years. The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or raise new debts, or sell assets to reduce debt. The net debts-to-equity ratio at 30 June 2018 and 2017 were as follows:

	<b>Group</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
<b>Current liabilities</b>		
Accounts payable	654,664	537,572
Accruals, deposits received and other payables	951,950	1,185,537
Interest-bearing bank and other borrowings	268,244	524,193
	<b>1,874,858</b>	2,247,302
<b>Non-current liabilities</b>		
Interest-bearing bank and other borrowings	490,979	660,732
<b>Total debts</b>	<b>2,365,837</b>	2,908,034
Less: Cash and bank balances	<b>(180,310)</b>	(523,431)
<b>Net debts</b>	<b>2,185,527</b>	2,384,603
<b>Total equity</b>	<b>912,049</b>	964,122
<b>Net debts to equity ratio</b>	<b>239.63%</b>	247.33%

Except as disclosed in note 28 on statutory reserves, the Group is not subject to any other externally imposed capital requirements for the years ended 30 June 2018 and 2017.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Major non-cash transaction

During the year ended 30 June 2018, certain properties held under development with net carrying amount of approximately RMB179,139,000 (2017: RMB548,486,000) were transferred to properties held for sale.

### Reconciliation of liabilities arising from financing activities

	Bank and other borrowings RMB'000 (note 25)	Interests payables RMB'000
At 1 July 2017	1,184,925	–
Changes from cash flows:		
Proceeds from bank and other borrowings	244,169	–
Repayments of bank and other borrowings	(669,871)	–
Interest paid	–	(2,273)
	(425,702)	(2,273)
Other changes:		
Interest expenses	–	2,273
At 30 June 2018	759,223	–

## 31. COMMITMENTS

At the reporting date, the Group had the following outstanding significant commitments:

	Group 2018 RMB'000	2017 RMB'000
Contracted but not provided for in respect of:		
– Construction in progress	10,749	13,819
– Properties held under development	614,315	887,551

The Company did not have any commitments as at 30 June 2018 and 2017.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 32. OPERATING LEASE ARRANGEMENTS

At the reporting date, the Group had the following operating lease arrangements:

### As lessor

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of its properties as follows:

	Group 2018 RMB'000	2017 RMB'000
Not later than one year	12,988	14,744
Later than one year but not later than five years	15,374	14,258
Later than five years	460	923
	<b>28,822</b>	<b>29,925</b>

The Group leases out certain properties under operating lease arrangements which run for initial periods of one to six years (2017: one to six years), without an option to renew the lease terms at the expiry date.

Certain leases (including contingent rental) are negotiated with reference to the level of business. The terms of the leases generally also require the tenants to pay security deposits.

### As lessee

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	Group 2018 RMB'000	2017 RMB'000
Not later than one year	700	681
Later than one year but not later than five years	520	1,162
	<b>1,220</b>	<b>1,843</b>

The Group leases a number of properties under operating lease arrangements which run for initial periods of one to three years (2017: one to three years), with an option to renew the lease terms at the expiry date. None of the leases includes contingent rentals.

The Company did not have any lease arrangements as lessee or lessor as at 30 June 2018 and 2017.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has well established risk management policies and guidelines. Moreover, the Directors will meet periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Directors consider that the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

At 30 June 2018, the financial assets of the Group comprise accounts receivable, refundable deposits paid and other receivables and cash and bank balances. The financial liabilities of the Group comprise accounts payable, accruals, refundable deposits received and other payables and bank and other borrowings.

### (i) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises primarily from deposits at banks and bank and other borrowings which bore interests at fixed and floating interest rates. Bank and other borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rate and repayment terms of the borrowings outstanding at the end of the reporting period are disclosed in note 25.

The Group manages interest rate risk by monitoring its interest rate profile on an ongoing basis. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The policies to manage interest rate risk have been followed by the Group since prior year and are considered to be effective.

### *Sensitivity Analysis*

At 30 June 2018, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year by approximately RMB41,000 (2017: RMB49,000). The assumed changes have no impact on the Group's other components of equity.

The assumed changes in interest rates are considered to be reasonably possible changes on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rates over the next twelve month period.

The calculation is based on a change in average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The sensitivity analysis for the year ended 30 June 2017 has been prepared on the same basis.

The Company does not have any exposure to interest rate risk at the reporting date.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (ii) Foreign currency risk

Most of the Group's transactions are carried out in RMB which is the functional currency of most of the group entities. Exposure to currency exchange rates arises from certain of the Group's cash and bank balances denominated in HK\$; while certain other borrowings of the Group are denominated in HK\$. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposure regularly and does not consider its foreign exchange risk to be significant.

#### Foreign currency risk exposure

The following table details the Group's exposure at the reporting date to foreign currency risk from the bank balances and other borrowings denominated in a currency other than the functional currency of the Company and its subsidiaries.

	Express in RMB'000	
	2018 HK\$	2017 HK\$
Bank balances	253	430
Other borrowings	(23,740)	(24,206)
Overall net exposure	(23,487)	(23,776)

#### Sensitivity Analysis

The following table indicates the approximate change in the Group's loss for the year in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the reporting date. The assumed changes have no impact on the Group's other components of equity.

	2018		2017	
	Increase/ (Decrease) in foreign exchange rates	Effect on loss for the year RMB'000	Increase/ (Decrease) in foreign exchange rates	Effect on loss for the year RMB'000
HK\$	+5%	(1,174)	+5%	(1,189)
	-5%	1,174	-5%	1,189

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the reporting dates and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

The Company is not exposed to any foreign currency risk at the reporting date.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial assets. The Group's credit risk is primarily attributable to accounts and other receivables and cash and bank balances. The management has a credit policy and the exposure to credit risk is monitored on an ongoing basis.

In respect of accounts and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

Except for certain other receivables secured by the equity interest in New Zhong Yuan (*note 20(d)*), none of the Group's remaining financial assets are secured by collateral or other credit enhancements.

The Group performs ongoing credit evaluation of its customers' financial positions. Provision for impairment is based upon a review of the expected collectability of all receivables.

The Group's bank balances are mainly deposits with state-owned banks in the PRC and reputable banks in Hong Kong.

At the end of reporting period, the Group had accounts receivable (*note 19*) and receivables due from certain companies related to the non-controlling equity owners of New Zhong Yuan (*note 20(d)*) amounting to RMB32,730,000 (2017: RMB32,802,000) and RMB272,249,000 (2017: RMB255,450,000) respectively, representing 44.11% (2017: 43.52%) of total gross accounts and other receivables. Except for these receivables, there was no concentration of credit risk.

The Company's credit risk is primarily attributable to amounts due from subsidiaries.

### *Financial guarantee*

The principal risk to which the Group is exposed to is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. The maximum exposure to credit risk in respect of these financial guarantees at the reporting date is disclosed in note 36.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Group's future cash flows.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (iv) Liquidity risk

The Group's objective is to ensure that it has adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required.

As at 30 June 2018 and 2017, the remaining contractual maturities of the Group's financial liabilities which are based on undiscounted cash flows are summarised below:

#### Group

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000
<b>At 30 June 2018</b>						
– Accounts payable	654,664	654,664	654,664	–	–	–
– Accruals, deposits received and other payables	951,950	951,950	951,950	–	–	–
– Interest-bearing bank and other borrowings	759,223	921,578	–	44,135	284,843	592,600
	2,365,837	2,528,192	1,606,614	44,135	284,843	592,600
– Financial guarantee issued						
Maximum amount guaranteed	–	1,302,231	1,302,231	–	–	–
	2,365,837	3,830,423	2,908,845	44,135	284,843	592,600
	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000
<b>At 30 June 2017</b>						
– Accounts payable	537,572	537,572	537,572	–	–	–
– Accruals, deposits received and other payables	1,185,537	1,185,537	1,185,537	–	–	–
– Interest-bearing bank and other borrowings	1,184,925	1,400,543	–	60,997	531,079	808,467
	2,908,034	3,123,652	1,723,109	60,997	531,079	808,467
– Financial guarantee issued						
Maximum amount guaranteed	–	1,128,487	1,128,487	–	–	–
	2,908,034	4,252,139	2,851,596	60,997	531,079	808,467

# Notes to the Financial Statements

for the year ended 30 June 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (iv) Liquidity risk (Continued)

The Group has not recognised in these financial statements the corporate guarantees issued for the facilities issued as disclosed in note 36. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amounts if these amounts are claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement (*note 33(iii)*). However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee that the guaranteed financial receivables held by the counterparty suffer credit losses.

At 30 June 2018 and 2017, the Company held no material financial liabilities and the Company ensure that it maintains sufficient financial support from Group's subsidiaries to meet its liquidity requirements.

The management has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### (v) Fair value

The fair values of the Group's financial assets and financial liabilities at amortised costs are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current loan receivable, interest-bearing bank and non-current other borrowings are not materially different from their carrying amounts at the reporting date.

At 30 June 2018, no financial assets and financial liabilities are measured at fair value in the statements of financial position (2017: nil).

# Notes to the Financial Statements

for the year ended 30 June 2018

## 34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2018 are categorised as follows. See notes 3.7 and 3.11 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Loans and receivables				
– Accounts receivable, refundable deposits paid and other receivables	682,919	666,573	1,406	1,447
– Due from subsidiaries	–	–	335,699	336,550
– loan receivable	24,952	–	–	–
Cash and bank balances	180,310	523,431	–	–
	888,181	1,190,004	337,105	337,997
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost				
Accounts payable, accruals, deposits received and other payables	1,606,614	1,723,109	9,888	8,844
Interest-bearing bank and other borrowings	759,223	1,184,925	–	–
	2,365,837	2,908,034	9,888	8,844

# Notes to the Financial Statements

for the year ended 30 June 2018

## 35. RELATED PARTY TRANSACTIONS

### (a) Related party transaction

Save as disclosed elsewhere in these financial statements, the Group had the following material related party transaction:

		Group 2018 RMB'000	2017 RMB'000
Nature of transaction			
Kaiping Qingshi Auto Parts Co., Ltd.* (note)	Interest income	1,452	–

Note: Mr. Zhou Jiangtao, a director of the Company, is a legal representative of the related company.

\* The English translation of the company name is for reference only, the official name of this company is in Chinese.

### (b) Compensation of key management personnel of the Group:

Included in staff costs are key management personnel compensation of the Group and the Company (including Directors' emoluments) during the financial year as follows:

		Group 2018 RMB'000	2017 RMB'000
<b>Directors' emoluments</b>			
– Director's fee		650	611
– Salaries and wages, allowances and benefits in kind		1,454	1,288
– Retirement scheme contributions		83	42
		2,187	1,941
<b>Key management personnel</b>			
– Salaries and wages, allowances and benefits in kind		1,328	1,142
– Retirement scheme contributions		76	51
		1,404	1,193

## 36. FINANCIAL GUARANTEE CONTRACTS – CONTINGENT LIABILITIES

As at the reporting date, the Group has issued the following guarantees:

- (a) The Group has arranged mortgage loan facility for certain purchasers of property units and provided guarantees to secure obligations of repayments. The outstanding guarantees amounted to approximately RMB1,196,091,000 (2017: RMB922,487,000) at the reporting date. The guarantees provided by the Group to the banks would be released upon (i) the satisfaction of mortgage loans by the purchasers of properties; or (ii) receiving the real estate owner certificates of the respective properties by the banks from the buyers as security for the mortgage loan facilities granted. These real estate ownership certificates would generally be issued within two years after the purchasers take possession of the relevant properties. No provision for the Group's obligation under the guarantees has been made as the Directors considered that it was not probable that the repayments of the loans would be in default. Also, the Directors did not consider it is probable that the Group will sustain a loss under these guarantees during the year as the individual real estate owner certificates have not been issued to the respective buyers yet. In case of defaults, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also considered that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the buyer default payments to the banks.
- (b) The Group had given financial guarantee to banks for banking facilities granted to Meihao Huang (2017: Honda, Meihao Huang and Po Xin), a contractor of the Group, of maximum amount approximately RMB106,140,000 (2017: RMB206,000,000). During the year ended 30 June 2018, the financial guarantee to bank for banking facilities granted to Honda and Po Xin of maximum amount approximately RMB79,300,000 was released upon the banking facilities expired.

Assets pledged to secure the above banking facilities are disclosed in note 18.

In the opinion of the Directors, it is unlikely that a claim will be made against the Group and no cash outflow under the financial guarantee contracts at the reporting date, the financial impact arising from the above guarantees is insignificant. Accordingly, they are not accounted for in these financial statements.

## 37. LITIGATION

Save as disclosed elsewhere in these financial statements, the Group does not have any material litigation or claims to be pending or threatened against any members of the Group as at 30 June 2018 and 2017.

# Shareholders' Information

## STATISTIC OF SHAREHOLDINGS AS AT 14 SEPTEMBER 2018

Authorised share capital	:	HK\$600,000,000
Issued and fully paid-up capital	:	HK\$138,800,000
Class of shares	:	69,400,000 Ordinary shares of HK\$2.00 each
Voting rights	:	One vote per share

## STATISTICS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	1	0.05	10	0.00
100 – 1,000	1,081	59.43	506,460	0.73
1,001 – 10,000	606	33.32	2,216,410	3.19
10,001 – 1,000,000	125	6.87	9,977,660	14.38
1,000,001 and above	6	0.33	56,699,460	81.7
<b>Total</b>	<b>1,819</b>	<b>100.00</b>	<b>69,400,000</b>	<b>100.00</b>

## TREASURY SHARES

Pursuant to Rule 1207(9)(f) of the listing manual of the SGX-ST, the Company does not hold any treasury shares or subsidiary holdings.

## TWENTY LARGEST SHAREHOLDERS AS AT 14 SEPTEMBER 2018

No.	Name	No. of Shares	%
1	CHEN JIANFENG	32,040,000	46.17
2	PROVEN CHOICE GROUP LIMITED	12,960,000	18.67
3	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,109,560	5.92
4	CITIBANK NOMINEES SINGAPORE PTE LTD	2,738,200	3.95
5	OCBC SECURITIES PRIVATE LTD	2,559,500	3.69
6	LI SIU LING	2,292,200	3.30
7	RAFFLES NOMINEES (PTE) LTD	829,720	1.20
8	LAU WEI PENG	681,320	0.98
9	HSBC (SINGAPORE) NOMINEES PTE LTD	541,800	0.78
10	HONG LEONG FINANCE NOMINEES PTE LTD	520,200	0.75
11	DBS NOMINEES PTE LTD	464,690	0.67
12	NG SENG CHOO	450,000	0.65
13	2G CAPITAL PTE LTD	364,300	0.53
14	CHOO KIM HIONG	363,900	0.53
15	OU YANG YAN TE	354,380	0.51
16	ESW CAPITAL MARKETS PTE LTD	204,000	0.29
17	KWAN CHEE SENG	204,000	0.29
18	NG CHUEN GUAN	204,000	0.29
19	TAN CHAI KIEW	200,000	0.29
20	TAN ENG CHUA EDWIN	169,150	0.24
		<b>62,250,920</b>	<b>89.70</b>

## Shareholders' Information

### SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Chen Jianfeng	32,040,000	46.17	3,786,700 <sup>(1)</sup>	5.46
Lin Yeju <sup>(2)</sup>	–	–	35,826,700	51.63
Proven Choice Group Limited <sup>(3)</sup>	12,960,000	18.67	–	–
Wang Lin Jia <sup>(3)</sup>	–	–	12,960,000	18.67

Notes:

- (1) Shares held by DBS Vickers Securities (S) Pte Ltd.
- (2) Madam Lin Yeju is deemed to be interested in all the Shares that her spouse, Mr Chen Jianfeng, is interested in. Mr Chen Jianfeng has a direct interest of 32,040,000 Shares and a deemed interest of 3,786,700 Shares.
- (3) Proven Choice Group Limited is an investment company incorporated in the British Virgin Islands. It is wholly-owned by Mr. Wang Lin Jia who is not related to any Directors or Substantial Shareholders.

### PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 29.70% of the Company's issued ordinary shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CHINA YUANBANG PROPERTY HOLDINGS LIMITED (the "Company") will be held at Meeting Room 330, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Friday, 26 October 2018 at 10.30 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 30 June 2018 together with the Auditors' Report thereon.

**(Resolution 1)**

2. To re-elect the following Directors of the Company pursuant to the Company's Bye-laws:

(i) Mr Ouyang Sheng (Retiring under Bye-law 86(1))

**(Resolution 2)**

(ii) Mr Chong Soo Hoon Sean (Retiring under Bye-law 86(1))

**(Resolution 3)**

*Mr Chong Soo Hoon Sean will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee, Remuneration Committee and Share Option Scheme Committee. Mr Chong will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").*

3. To approve the payment of Directors' fees of S\$130,000/- for the financial year ending 30 June 2019, to be paid half-yearly in arrears. (FY2018: S\$130,000/-).

**(Resolution 4)**

4. To re-appoint BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Public Accountants and Chartered Accountants, Singapore to act jointly and severally as the Company's Auditors and to authorise the Directors to fix their remuneration.

**(Resolution 5)**

5. To transact any other ordinary business which may be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

### 6. Share Issue Mandate

That pursuant to Rule 806 of the Listing Manual ("Listing Manual") of the SGX-ST, authority be given to the Directors of the Company to allot and issue ordinary shares ("Shares") in the Company whether by way of rights, bonus or otherwise (including Shares as may be issued pursuant to any Instruments (as defined below) made or granted by the Directors while this resolution is in force notwithstanding that the authority conferred by this resolution may have ceased to be in force at the time of issue of such Shares) and/or make or grant offers, agreements or options or otherwise issue convertible securities (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and for such purpose and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of the passing of this Resolution, of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a *pro rata* basis to all shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings);

# Notice of Annual General Meeting

## AS SPECIAL BUSINESS (Continued)

### 6. Share Issue Mandate (Continued)

- (b) for the purpose of determining the aggregate number of Shares that may be issued under subparagraph (a) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution, after adjusting for:
  - (i) new Shares arising from the conversion or exercise of convertible securities;
  - (ii) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and
  - (iii) any subsequent bonus issue, consolidation or subdivision of Shares; and
- (c) such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law or by the Bye-Laws to be held, whichever is earlier.

*See Explanatory Note (i)*

**(Resolution 6)**

### 7. Authority to Offer and Grant Options and to Allot and Issue Shares under the China Yuanbang Share Option Scheme

That, the Directors be authorised and empowered to:

- (a) offer and grant options from time to time to selected Executive and Non-Executive directors and employees of the Company and its subsidiaries in accordance with the terms and conditions of the China Yuanbang Share Option Scheme (the "Scheme"); and
- (b) allot and issue Shares to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Scheme upon the exercise of such options and in accordance with the terms and conditions of the Scheme,

provided always that the aggregate number of Shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time.

*See Explanatory Note (ii)*

**(Resolution 7)**

# Notice of Annual General Meeting

## AS SPECIAL BUSINESS (Continued)

### 8. Renewal of Share Buyback Mandate

That:

- (a) the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire Shares in the capital of the Company which are fully paid up not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
  - (i) market purchases (each a “Market Purchase”) on the SGX-ST or any other securities exchange on which the Shares may for the time being be listed and quoted; and/or
  - (ii) off-market purchases (each an “Off-Market Purchase”) effected otherwise than on the SGX-ST or any other securities exchange on which the Shares may for the time being be listed and quoted in accordance with any equal access scheme as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Companies Act (Chapter 50 of Singapore), the Listing Manual, the Companies Act 1981 of Bermuda, and the Memorandum of Association and Bye-laws of the Company,

and otherwise in accordance with all other laws and regulations of Singapore and Bermuda and the rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “Share Buyback Mandate”);

- (b) the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:
  - (i) the conclusion of the Annual General Meeting of the Company following the passing of this Resolution or the date by which such Annual General Meeting is required to be held;
  - (ii) the date on which purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated; and
  - (iii) the date on which the authority contained in the Share Buyback Mandate is revoked or varied by ordinary resolution of the Company in general meeting;

- (c) in this Resolution:

“Prescribed Limit” means ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution; and

“Maximum Price” in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price; and

# Notice of Annual General Meeting

## AS SPECIAL BUSINESS (Continued)

### 8. Renewal of Share Buyback Mandate (Continued)

(c) (Continued)

- (ii) in the case of an Off-Market Purchase, one hundred and twenty per cent. (120%) of the Average Closing Price, where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) Market Days (a “Market Day” being a day on which the SGX-ST is open for trading in securities), on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days; and

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

- (d) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

*See Explanatory Note (iii)*

**(Resolution 8)**

By Order of the Board

**Huang Tak Wai**  
*Company Secretary*

10 October 2018

### Explanatory Notes to Resolutions to be passed –

- (i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting or the date by which such Annual General Meeting is required to be held (whichever is earlier), to allot and issue Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to the Resolution) up to an amount not exceeding fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which up to twenty per cent. (20%) may be issued other than on a *pro rata* basis.
- (ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, to offer and grant options to selected Executive and Non-Executive Directors and employees of the Company and its subsidiaries under the Scheme and to allot and issue Shares of up to a number not exceeding in total fifteen per cent. (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time pursuant to the exercise of the options under the Scheme.

## Notice of Annual General Meeting

### Explanatory Notes to Resolutions to be passed – (Continued)

- (iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors from the date of this Annual General Meeting until the conclusion of the next Annual General Meeting or the date by which such Annual General Meeting is required to be held (whichever is earlier) to purchase or acquire Shares by way of Market Purchases or Off-Market Purchases of up to ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the terms of the Share Buyback Mandate as set out in the Addendum, unless such purchase or acquisition of Shares has been carried out to the full extent mandated or such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.

The Company intends to use internal resources and/or external borrowings to finance the Company's purchase or acquisition of Shares under the Share Buyback Mandate. The amount of financing required for the Company to purchase or acquire the Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on, among others, how the Shares are purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held as treasury shares or cancelled. For illustrative purposes only, the financial effects of an assumed purchase or acquisition of 6,940,000 Shares by the Company, at a purchase price equivalent to the Maximum Price per Share, in the case of a Market Purchase and an Off-Market Purchase respectively, based on the audited financial statements of the Company and its subsidiaries for the financial year ended 30 June 2018 and certain assumptions, are set out in paragraph 2.5.3 of the Addendum.

#### Notes:

1. A Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act (Chapter 50 of Singapore)) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. If a Depositor wishes to appoint a proxy/proxies to attend the Annual General Meeting, then he/she must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited, 8 Robinson Road #03-00, ASO Building, Singapore 048544, at least forty-eight (48) hours before the time of the Annual General Meeting.
3. If the Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

### Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



# China Yuanbang Property Holdings Limited

(Company Registration Number: 39247)  
(Incorporated in Bermuda on 4 December 2006)

---

9th Floor, Yuanbang Building  
No. 599 Huangshi West Road  
Baiyun District, Guangzhou City  
Guangdong Province  
PRC 510430

Tel: (86) 20 2627 2116  
Fax: (86) 20 2627 2202  
[www.yuanbang.com](http://www.yuanbang.com)