中翔國際集團有限公司
China International Holdings Limited

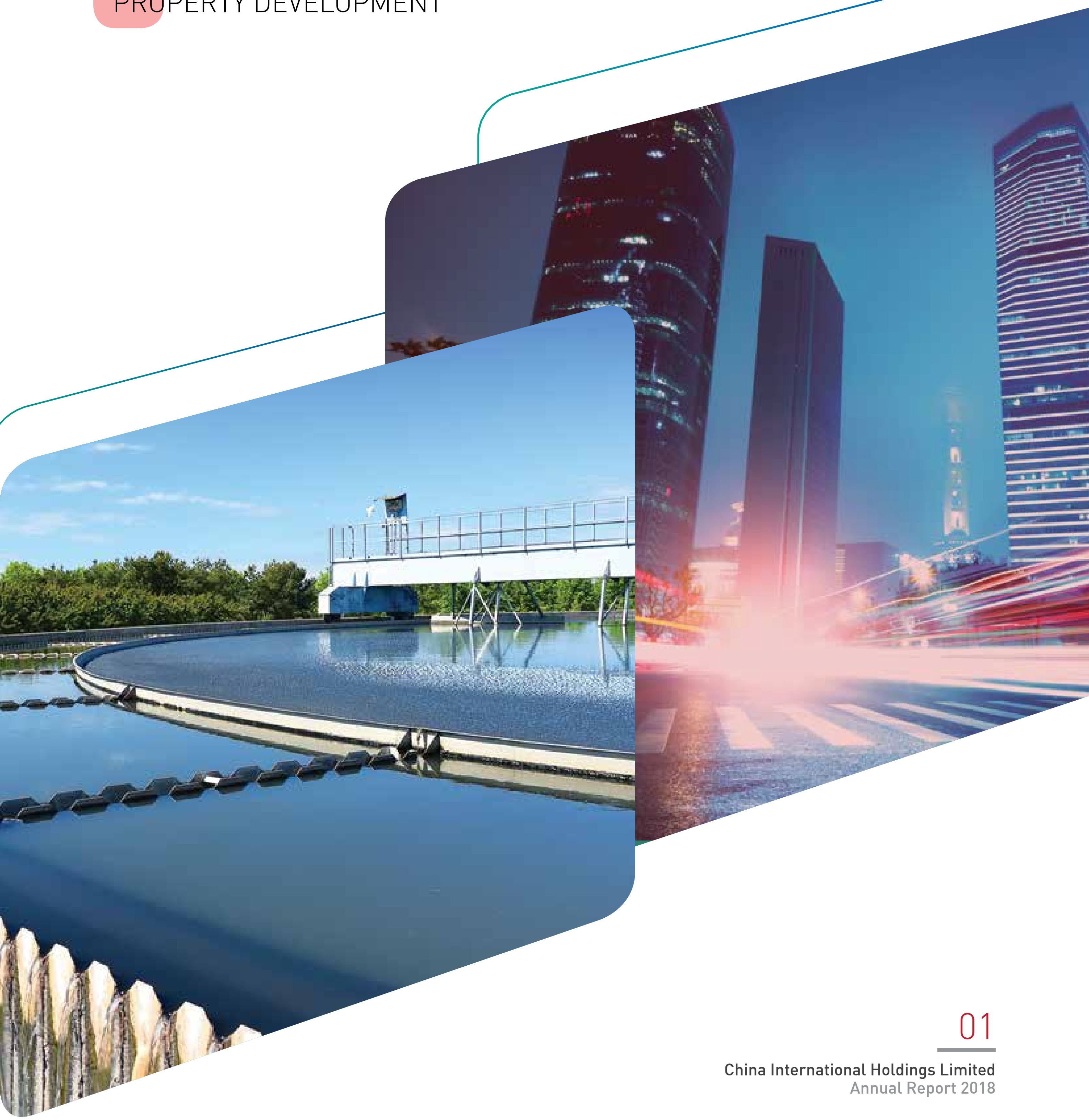
2018 ANNUAL REPORT

CONTENTS

Our Business

WATER SUPPLY SERVICES

LAND AND REAL ESTATE PROPERTY DEVELOPMENT



Chairman's Statement

Dear Shareholders,

The Group has since FY2015 adopted a strategy of focusing on building our core businesses in the water treatment and supply segment, and the property development segment. The Group sold the Tianjin Jixian Project in FY2016 and a 5% interest in the Yichang Project in FY2017, transferring the management of the Yichang Project to Hongkun Group, our new partner in this project. This strategy has paid off as we successfully improved our cash flows and reduced overall debt of the Group over the last three years, as shown by our current strong financial position.

FINANCIAL REVIEW

In FY2018, against the backdrop of a slowing China's economy and weakening market conditions due to various property cooling measures implemented, Group revenue dipped slightly by 1.3% to RMB89.68 million as compared to RMB90.83 million in FY2017.

With higher cost of water operations during the year, cost of sales and services provided in FY2018 increased by 4.4% to RMB38.66 million, an increase of RMB1.65 million as compared to RMB37.01 million in FY2017.

Correspondingly, the Group recorded a lower gross profit of RMB51.02 million in FY2018, a decrease of 5.2% as compared to RMB53.81 million in FY2017. Gross profit margin also dipped marginally from 59.2% in FY2017 to 56.9% in FY2018.

On the positive side, finance costs in FY2018 fell significantly by RMB8.72 million or 72.6% to RMB2.39 million in FY2018, mainly attributed to lower interest expenses after repayment of borrowings in the second quarter of FY2018.

As a result of the above, the Group recorded a profit after tax of RMB18.52 million in FY2018 as compared to RMB34.99 million in FY2017.

As at 31 December 2018, our cash and cash equivalents amounted to RMB64.27 million, mainly due to net cash used in operating activities and financing activities of RMB39.30 million and RMB82.68 million respectively, and partially offset by net cash generated from investing activities of RMB129.24 million. During the year, we continued to focus on generating cash from our property development projects as well as other businesses, and we will continue to drive cash flows in FY2019.

"THE TIANJIN WATER PROJECT IS SET TO ENTER INTO ITS NEW DEVELOPMENTAL PHASE IN 2019, AFTER THE COMMENCEMENT OF THE CONSTRUCTION OF THE XINHE WATER RECYCLING PLANT IN 2018."

LOOKING AHEAD

Moving forward, we expect the China's economy to continue growing at a slower pace in 2019. During the year in review, the property market in the first-tier cities, and some lower-tier cities, remained relatively stagnant due to the various administrative restrictions implemented to cool the property market. However, we believe that the ongoing policies to clear inventories in third-tier cities such as Yichang where we operate, will continue to drive property sales.

The Tianjin Water Project is set to enter into its new developmental phase in 2019, after the commencement of the construction of the Xinhe Water Recycling Plant in 2018. We expect the construction of the Xinhe Water Recycling Plant to be completed in the second half of 2019, following a successful credit facility secured from a local bank. This new phase of the Tianjin Water Project will involve a water treatment plant designed to convert discharged water into recycled water for industrial and domestic uses. Water discharged from a nearby wastewater treatment plant will be treated and transported into the Tianjin Water network. The project is expected to significantly increase the water supply capacity of Tianjin Water network upon its completion.

Under the new management, the Yichang Project has entered into the development of a "new" Phase 3 (formerly named Phases 3 and 4). Our Yichang Guobin No.1 development project holds land use rights to a total site area of 587,726 square metres comprising residential development, a convention centre, a hotel and an associated commercial space. Phase 2-3 and the "new" Phase 3-1 are in the construction stage with 35% of the works remaining, targeted to be completed by early 2020. The "new" Phases 3-2 and 3-3 have also just entered into the construction phase. The KYWJ Group expects to complete the development of the "new" Phases 3-2 and 3-3 by the fourth quarter of 2020.

SUSTAINABILITY STATEMENT

To comply with SGX-ST Listing Rule 711A, the Group issued our first Sustainability Report in 2018 and will continue to do so on an annual basis from 2019.

UPDATE ON GOLD MINING & OIL EXPLORATION PROJECTS

The Group holds a 20.1% interest in Liuhe County Yukun Mining Co Ltd ("Liuhe"), a gold exploration and mining company in the Jilin Province, China. We have made a full impairment on the Liuhe project, and this project has been put under care and maintenance. We also hold an effective stake of 34.54% in an oil exploration company licensed to explore and drill oil & gas fields at early stages in Papua New Guinea through an investment vehicle known as Future Trillion Holdings Limited ("Future Trillion"). The Group had since made a full impairment of the investment in FY2015, and is actively looking to dispose the interest in the above-mentioned projects.

A NOTE OF APPRECIATION

On behalf of the Board, I would like to express our heartfelt gratitude to all our shareholders, management, customers, business partners and our employees for your unyielding faith, support and contributions to the Group during these challenging times. We look forward to your continued support as we strive to enhance the Group's financial performance. I would also like to thank my fellow Directors for their invaluable contributions over the years.

We will continue to focus on the water treatment and property development businesses in China. Though the economic outlook remains uncertain, we will stay focused and positive, as we continue to create greater value for our shareholders in time to come.

SHAN CHANG

Non-Executive Chairman

BOARD OF DIRECTORS

SHAN CHANG / Non-Executive Chairman

Mr Shan is one of the founders and the Chairman of the Company. Mr Shan has over 20 years of experience in the construction industry in the PRC and Hong Kong and more than 20 years business and financial management experience in listed companies. Mr Shan is the Chairman of CIGIS (China) Ltd. Mr Shan holds an Executive Master of Business Administration degree from the Tsinghua University, a Master of Science degree in Engineering from the China Academy of Railway Science and a Bachelor of Science degree in Engineering from the Tong Ji University. Age 59.

ZHANG RONG XIANG / Managing Director

Mr Zhang is one of the founders of the Company. Mr Zhang was re-appointed as Managing Director of the Company on 27 April 2018. Mr Zhang has more than 20 years of experience in construction, civil engineering and seismic studies in the PRC and Hong Kong, including over 15 years with the Comprehensive Institute of Site Investigation and Surveying, Ministry of Construction of the PRC.

Mr Zhang holds an Executive Master of Business Administration degree from the Peking University, a Master of Science degree in Engineering from the China Academy of Building Research and a Bachelor of Engineering degree from the Hefei University of Technology. Mr Zhang is a member of the Council of the Architectural Society of China, a Registered Engineer for Construction Supervision and Registered Civil Engineer (Geot.) in the PRC. Age 56.

TEO WOON KENG JOHN / Independent Director

Mr John Teo was re-appointed Independent Director on 27 April 2018. Mr Teo has over 25 years of professional and management experience. He has held senior management positions, such as Managing Director, Finance, Temasek Holdings (Pte) Ltd, Chief Financial Officer, National University Hospital and Audit Manager, Price Waterhouse Singapore. He served on the Board of the Energy Market Authority, Singapore from April 2008 to March 2014 and was Chairman of the Audit Committee from April 2010. He was a member of the Auditing & Assurance Standards Committee of the Institute of Singapore Chartered Accountants from 2008 to 2016 and the Investment Advisory Committee of People's Association, Singapore from 2005 to 2017.

Mr Teo is a Member of the Institute of Singapore Chartered Accountants and holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and a MBA from University of Wales. He is currently a Director of the Ang Mo Kio-Thye Hua Kwan Hospital and sits on the management committees of several community organisations in Singapore. Age 62.

ZHU JUN / Executive Director

Mr Zhu joined the Company in April 2003 and was re-appointed as Executive Director of the Company on 29 April 2016. Mr Zhu is responsible for the business development and financial matter of the Group. Prior to joining the Company, Mr Zhu worked in banking, financial and capital market sector for more than 15 years as a senior executive. He served as Assistant Director of SINOLINK Worldwide Holdings Limited, a company listed on the Hong Kong Stock Exchange, for about 6 years. Mr Zhu holds a Master and a Bachelor degree in Economics from the Peking University. Age 54.

CHEE TECK KWONG PATRICK / Independent Director

Mr. Chee Teck Kwong Patrick, PBM, holds a Bachelor of Law (Hons) Degree from the University of Singapore. He is an Advocate and Solicitor of the Supreme Court of Singapore and a Solicitor of the senior courts of England and Wales. He has been in private legal practice since 1980. He is now a Senior Legal Consultant with Withers KhattarWong, an international law firm. His areas of practice are corporate and commercial matters, banking and finance, cross-border joint ventures and investments, mergers and acquisitions, and listing of companies. He has also advised on property law and has handled several landmark development projects in Singapore, Indonesia, Malaysia and China. He also conducts civil litigation and arbitration proceedings. He had initiated and was instrumental to the setting up of a full licensed KhattarWong's law practice in Vietnam.

Mr. Chee is a Notary Public and a Commissioner for Oaths. He is a member of Singapore Institute of Arbitrators, and Singapore Institute of Directors. He had served several years in the sub-committee of National Crime Prevention Council, Singapore, and worked with National Productivity Board, Singapore in developing and seeing the successful launch of some well-known franchises in Singapore in the early 1990s. From 2002 to 2013, Mr. Chee was the Organising Chairman of the "National Street Soccer League – Lee Hsien Loong Challenge Trophy".

He also sits on the Board of public listed companies, i.e., Hai Leck Holdings Limited, China International Holding Limited, MEGROUP Ltd, and One Apex Limited. He is also Honorary Legal Advisor to Hospitality Purchasing Association Singapore, and several big clans and trade associations in Singapore.

Mr. Chee is the recipient of the National Day Awards 2003 – "The Public Service Medal (Pingat Bakti Masayarakat)" from the President of Republic of Singapore. Age 65.

SHEN XIA / Executive Director and Chief Financial Officer

Mr Shen joined the Company in May 2010 and was appointed as Chief Financial Officer on 15 August 2014. Mr Shen is responsible for corporate finance and natural resources business operations of the Group. Prior to joining the Company, Mr Shen had more than 20 years of experience in investment banking focusing on natural resources sector. Mr Shen holds a Master degree from University of Oxford in England and a Bachelor degree from Zhejiang University in Hangzhou, China. Age 56.

CORPORATE STRUCTURE

China International Holdings Limited
中翔國際集團有限公司
Bermuda

- 100% **Hong Kong** China Infrastructure Management (Hong Kong) Limited 中翔基建管理（香港）有限公司
- 100% **Samoa** CIHL Development Limited 中翔基建发展有限公司
  - 100% **PRC** CIHL (Tianjin) City Development Limited 天津新中城市实业发展有限公司
    - 50% **PRC** Beijing Kaiyuan Wanjia Management Consulting Company Limited 北京开元万嘉管理咨询有限公司
      - 100% **PRC** Yichang Xinshougang Property Development Company Limited 宜昌新首钢房地开发有限公司
        - 100% **PRC** Yichang Jiaye Hotel Management Co., Limited 宜昌嘉业酒店管理有限公司
        - 100% **PRC** Yichang Xiecheng Exhibition Services Co., Limited 宜昌协成会展服务有限公司
    - 20.1% **PRC** LiuHe County Yukun Mining Co. Ltd 柳河县钰坤矿业有限公司
    - 100% **PRC** Beijing Shiji Longquan Enterprise Co., Limited 北京世纪龙泉实业有限公司
    - 100% **PRC** CIHL (Tianjin) City Development Limited Beijing Project Management Branch Office 天津新中城市实业发展有限公司北京工程管理分公司
- 100% **British Virgin Islands** Pinnacle China Limited
  - 34.53% **British Virgin Islands** Future Trillion Holdings Limited
    - 82.086% **Independent State of Papua New Guinea** MKS Limited
- 100% **Samoa** China (Tianjin) Water Resources Limited 中国（天津）水资源有限公司
  - 60% **PRC** CIHL (Tianjin) Water Development Company Limited 中翔（天津）水业发展有限公司
    - 55% **PRC** Tianjin Lingang Water Co., Ltd 天津临港水务有限公司
- 100% **Samoa** Tianjin Bridges Investments Limited 天津桥梁投资有限公司
  - 75% **PRC** CIHL Haimen (Tianjin) Enterprise Ltd 中翔海门（天津）实业有限公司

CORPORATE INFORMATION

DIRECTORS

Mr Shan Chang,
Non-Executive Chairman

Mr Teo Woon Keng John,
Independent Director

Mr Zhang Rong Xiang,
Managing Director

Mr Zhu Jun,
Executive Director

Mr Chee Teck Kwong Patrick,
Independent Director

Mr Shen Xia,
Executive Director and
Chief Financial Officer

COMPANY SECRETARY

Ms Claudia Teo Kwee Yee

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
Public Accountants and
Chartered Accountants
100 Beach Road
#30-00 Shaw Tower
Singapore 189702
Director-in-charge: Low See Lien
(since financial year ended 31 December 2017)

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Bermuda

SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
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#32-01 Singapore Land Tower
Singapore 048623

REGISTERED OFFICE

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Telephone: 1 441 295 5950
Fax: 1 441 292 4720

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
HSBC Hong Kong

The Board of Directors and Management of China International Holdings Limited ("Company" or "Group") are committed to setting in place corporate governance practices of the highest standards so as to promote corporate transparency, to protect the interests of the Company's shareholders and to enhance long-term shareholder value.

This corporate governance report sets out the Company's corporate governance processes and practices that are in place during the financial year ended 31 December 2018 ("FY2018"), with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 ("Code"), which also forms part of the Continuing Obligations in the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual. The Company confirms that it has adhered to the principles and guidelines as set out in the Code, where applicable. Where there have been deviations from the Code, the Company has sought to provide an appropriate explanation for each deviation in this corporate governance report.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with management to achieve this and the management remains accountable to the Board.

The Board of Directors ("Board") of the Company is responsible for the corporate governance of the Group, which ensures the protection of the shareholders' interests and the enhancement of long-term shareholder value. On top of its statutory responsibilities, the role of the Board includes:

(a) providing entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;

(b) establishing a framework of prudent and effective controls which enables risk to be assessed and managed, including the safeguarding of shareholders' interests and the Company's assets;

(c) reviewing the performance of the Management;

(d) identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation;

(e) setting the Company's values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met;

(f) considering sustainability issues, such as environmental and social factors, as part of the Company's strategic formulation;

(g) reviewing the business plans and financial performance of the Group regularly;

(h) putting in place and reviewing the processes for financial reporting and compliance; and

(i) deciding on matters reserved for the Board's decision, which includes, but is not limited to, major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructurings, mergers and acquisitions, share issuances, distribution of dividends, major corporate policies on key areas of operation, the release of quarterly, half-yearly and full-year results and interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual) of a material nature.

In addition, the Company has adopted a set of written guidelines which sets out the matters reserved for the Board's decision and clear directors to management on matters that must be approved by the Board.

In order to discharge the duties of the Board, all Board members bring their independent judgement, diversified knowledge, experience and expertise to address issues of strategy, performance, resources and the standards of conduct of the Company. At all times, all Directors objectively discharge their duties and responsibilities as fiduciaries in the interests of the Company.

The Board meets quarterly and as and when necessary to address any significant matters that may arise. When necessary, ad hoc meetings are convened to deliberate on urgent matters. The Bye-Laws of the Company allow Directors to attend Board meeting via telephone or other electronic means. This permits all participating Directors to communicate with each other simultaneously.

To assist the Board in the discharge of its responsibilities, the Board has established four Board Committees. The Board Committees are the Nominating Committee ("NC"), Remuneration Committee ("RC"), Audit Committee ("AC") and Risk Management Committee ("RMC"). These Board Committees function within clear boundaries and operating procedures as defined in their respective terms of reference, which are reviewed on a regular basis by the Board. The Board also constantly reviews the effectiveness of each Board Committee.

Directors are provided with regular updates, particularly on relevant new laws and regulations by the Company Secretary. The Directors are issued with a copy of the Company's Best Practices on Securities' Dealings as they are privy to price sensitive information. The Directors have access to the advice and services of the Company Secretary and Management, and may in appropriate circumstances, seek independent professional advice concerning the affairs of the Group. Directors have the opportunity to visit the Group's subsidiaries and meet with Management to gain a better understanding of the Group's business operations and governance practices. Directors are informed and encouraged to attend relevant courses and training conducted by Singapore Institute of Directors, SGX-ST, businesses and consultants, as may be relevant to the effective discharge of their responsibilities, at the expense of the Group.

Newly appointed Directors are issued with a formal letter of appointment setting out his statutory duties and other duties and obligations. All newly appointed Directors receive an extensive, comprehensive and tailored induction on joining the Board. The induction includes, but is not limited to, a briefing on a Director's duties, obligations and responsibilities and how to effectively and objectively discharge these duties in good faith, as well as a comprehensive orientation program to ensure familiarity with the Group's business, operations, financial related matters and governance practices. Newly appointed Directors are provided with information and updates on the Group's corporate governance practices and are invited for site visits at the Company's operational facilities in Yichang and Tianjin, China to enable them to obtain a better perspective of the Company's business activities and operational matters. For first-time Directors, the Company will provide relevant training in areas such as accounting, legal and industry-specific knowledge as appropriate. The Company shall be responsible for arranging and funding the training of Directors.

The number of Board meetings and Board Committee meetings held during FY2018 and the attendance of each Director where relevant are as follows:

Name of Director	Board Meetings	AC Meetings	NC Meetings	RC Meetings	RMC Meetings
Number of Meetings	4	4	1	1	2
Mr Shan Chang	4	4	1	1	2
Mr Zhang Rong Xiang	4	–	–	–	2
Mr Zhu Jun	4	–	–	–	–
Mr Chee Teck Kwong Patrick	4	4	1	1	–
Mr Shen Xia	4	–	–	–	2
Mr Teo Woon Keng John	4	4	1	1	–

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently has six Directors. The Directors as at the date of this report are as follows:

Name of Directors	Position
Mr Shan Chang	Non-Executive Chairman
Mr Zhang Rong Xiang	Managing Director
Mr Zhu Jun	Executive Director
Mr Chee Teck Kwong Patrick	Independent Director
Mr Shen Xia	Executive Director
Mr Teo Woon Keng John	Independent Director

The NC reviews the size and composition of the Board on an annual basis. In concurrence with the NC, the Board is of the view that the current size of the Board is appropriate for the nature of the Company's business and the scope of its operations. The Board is also of the view that it has the appropriate balance and diversity of expertise, experience and knowledge of the Company. Collectively, the Board is able to provide the necessary core competencies required to function effectively and to make informed decisions.

For FY2018, the Company did not appoint a lead independent Director. As recommended by Guideline 3.3 of the Code, every company should appoint an independent director to be the lead independent director where the chairman is not an independent director. The NC has discussed and noted that the Non-Executive Chairman has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company. He has and will be able to effectively discharge his duties as the chairman of the Board. The Board has concurred with the NC's recommendation. Notwithstanding, the two independent Directors do meet periodically (albeit on an informal basis) to discuss about the Group's affairs without the presence of the other Directors or Management. Any issues, concerns and/or suggestions arising from their discussions will be directly raised to the Non-Executive Chairman.

The Company, on an annual basis, determines whether or not a Director is independent, taking into account the definition of an independent director in the Code. In doing so, the Board considers whether there are relationships or circumstances that affect a Director's judgment, taking into account the views of the NC. For FY2018, the NC had considered the following confirmations received from Mr. Chee Teck Kwong Patrick and Mr. Teo Woon Keng John whereby Mr. Chee and Mr. Teo had each confirmed that:

(a) they are not Executive Directors of the Company or any of its related corporations and have not been employed by the Company or any of its related corporations for the current or any of the past three financial years;

(b) they do not have an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the Remuneration Committee;

(c) they or any immediate family member have not accepted any significant compensation from the Company or any of its related corporations other than fees for acting as a Director of the Company for the current or immediate past financial year;

(d) they, or any immediate family member are not:

  (i) a 10% shareholder of, or

  (ii) a partner in (with 10% or more stake), or

  (iii) an executive officer of, or

  (iv) a director of,

  any organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services) in the current or immediate past financial year;

(e) they or an immediate family member is not a 10% shareholder of the Company;

(f) they have not been directly associated with a 10% shareholder of the Company, in the current or any of immediate past financial year;

(g) they do not have any relationship with the Company, its related corporations, its 10% shareholder or its officers that could interfere or be reasonably perceived to interfere, with my exercise of independent business judgment with a view to the best interests of the Company and in carrying out my functions as an independent director and as a member of any Board committee(s); and

(h) they are able to carry out their duties as Directors of the Company and to address any competing time commitments that may arise, despite their multiple board representations.

Based on the above, the NC had assessed the independence of Mr. Chee and Mr. Teo and considered that each of Mr. Chee and Mr. Teo is, and continues to be, independent in character and judgment and there are no relationships or circumstances which are likely to affect, or could appear to affect, each of their judgment. Mr. Chee and Mr. Teo, each being a member of the NC, had abstained from the deliberations in respect of the assessment on his own independence. The Board has concurred with the NC's assessment and recommendation.

The NC notes that the Code requires the Board to subject to rigorous review the independence of any Director who has served for a period of nine years from the date of his first appointment. In view of the above, the NC is of the view that although Mr Chee Teck Kwong Patrick has served beyond nine years as an Independent Director since 2008, he continues to express his individual viewpoints, debate issues and objectively and constructively challenge Management's proposals and decisions on business activities and transactions that may involve conflicts of interests and other complexities. The NC has determined that Mr Chee Teck Kwong Patrick's tenure in office have not affected his independence and ability to bring independent and considered judgment to bear in his discharge of duties as a member of the Board and Board Committees. The Board concurred with the NC's views after having considered the confirmation of independence form submitted by Mr Chee Teck Kwong Patrick.

The Board is able to exercise objective judgment independently from Management with no individuals dominating the decision of the Board. The Board also ensures that there is effective representation for its shareholders and the issues of strategy, performance and resources are fully disclosed and examined to take into account long-term interests of the shareholders, employees, customers, suppliers and the communities in which the Group conducts its business.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board and its Board Committees have a wide range of core competencies, experiences, skills and knowledge in, but not limited to, the fields of business development, business management, industry knowledge, financial, legal and accounting.

Members of the Board, have experience in accounting or finance, business management, legal or corporate governance, relevant industrial knowledge, strategic planning and customer-based experience or knowledge.

The Board has taken the following steps to maintain or enhance its balance and diversity:

(i) by assessing the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and

(ii) evaluation by the Directors of the skill sets the other Directors possess, with a view to understanding the range of expertise which is lacking by the Board.

The NC will consider the results of the above steps in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

Non-Executive and Independent Directors of the Board exercise no management functions in the Company or its subsidiaries. Although all the Directors have an equal responsibility for the Group's operations, the roles of the Non-Executive and Independent Directors are particularly important in ensuring that the proposals by Management are fully discussed, examined and constructively challenged. The Non-Executive and Independent Directors help to develop proposals on business strategies, business operations and practices of the Group. In addition, the Non-Executive and Independent Directors evaluate the performance of Management by determining whether Management has met specific goals and objectives, which are pre-determined by the Board.

In order for the Independent Directors to be a more effective check on Management, the Independent Directors are encouraged to meet, at least annually, without the presence of Management.

In addition to the Board meetings or special warranted meetings by particular circumstances, whereby Directors are updated on the business and operational activities of the Group and the possible changes of business risks, the Group's information policy is to make available to Directors, upon their request, at any time, further and additional explanation, briefing or informal discussion on any aspect of the Group's operations or business issues from the Management. The Directors are issued with a copy of the Company's Best Practices on Securities' Dealings as they are privy to price sensitive information.

Although generally supportive of gender diversity on the board, the NC would require more time to consider the same including possible recommendations and guidelines that may be issued by the authorities on the subject.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.

The roles of the Non-Executive Chairman and Managing Director are separate, with a clear division of responsibilities between the two.

The Non-Executive Chairman, Mr Shan Chang, plays a pivotal role in steering the strategic direction and growth of the Company due to his considerable business experience. The role of the Non-Executive Chairman includes:

(a) leading the Board to ensure its effectiveness in all aspects of its role;

(b) setting the agenda and ensuring that adequate time is available for the discussion of all agenda items, in particular, strategic issues;

(c) promoting a culture of openness and debate at the Board;

(d) ensuring that the Directors receive complete, adequate and timely information;

(e) ensuring effective communication between Management and the Board;

(f) ensuring effective communication with the shareholders of the Company;

(g) encouraging constructive relations within the Board and between the Board and Management;

(h) facilitating the effective contribution of non-executive directors in particular;

(i) promoting high standards of corporate governance.

The Managing Director, Mr Zhang Rong Xiang, assumes full executive responsibilities over the business directions and operational decisions of the Group in accordance with the Group's pre-determined goals, strategies and objectives.

To enable independent decision making of the Board and to ensure that there is an appropriate balance of power and authority on the Board, the Independent Directors are responsible for providing a non-executive perspective to the activities of the Group and contributing a balanced viewpoint to all Board deliberations.

Where the Chairman is not an independent director, Guideline 2.2 of the Code advocates that independent Directors should make up half of the Board. Although the Company is only in compliance with Guideline 2.1 of the Code, in that one-third of the Board, comprising two independent directors out of six directors, is independent, all of the Directors were involved in debating matters tabled during Board meetings, regardless whether they were independent or not. The Board is aware of Guideline 2.2 and will review the need for the appointment of an additional independent director as part of its continuous assessment of corporate governance best practices.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises three Directors, the majority of whom, including the chairman, are independent. The NC members are:

Mr Chee Teck Kwong Patrick (Chairman)
Mr Teo Woon Keng John
Mr Shan Chang

The NC is regulated by a set of written terms of reference describing the duties and responsibilities of the NC, which is endorsed by the Board. The NC is responsible for:

(a) reviewing the structure, size and composition of the Board;

(b) reviewing the succession plans for Directors;

(c) evaluation the performance and the effectiveness of the Board;

(d) determining whether the Directors possess the necessary qualifications and expertise required to carry out his duties as a Director;

(e) reviewing training and professional development programmes for the Board;

(f) determining on an annual basis as to whether a Director is independent; and

(g) establishing procedures for and making recommendations to the Board on all Board appointments and re-appointments.

The NC holds a meeting at least annually in each financial year.

All appointments and re-appointments of Directors are first reviewed and considered by the NC and then recommended for approval by the Board. The NC has formalized this process and has adopted procedures for the selection, appointment and re-appointment of Directors, in order to increase transparency of the nominating process. The NC oversees this process by identifying potential candidates and by evaluating the skills, knowledge, experience and the suitability of potential candidates before recommending nominations to the Board. In addition, the NC evaluates the balance of skills and competencies already present on the Board and determines, in consultation with the Chairman of the Board and Management, the desired skill sets and qualities of potential candidates.

The Directors are required to submit themselves for re-nomination and re-election at regular intervals of at least once every three years. By virtue of Bye-law 104, one-third of the Directors are to retire from office by rotation at the Annual General Meeting ("AGM") of the Company. In addition, the Bye-Laws of the Company provide that a newly appointed Director must retire and submit himself for re-election at the next AGM following his appointment.

Each member of the NC is required to abstain from voting on any resolutions, making any recommendations and/or participating in any deliberations of the NC in respect of his re-nomination as a Director.

The table below provides information pertaining to each Director's date of appointment and date of the last re-election:

Director	Date of first appointment	Date of last re-election
Mr Shan Chang	7 Nov 1998	28 April 2017
Mr Zhang Rong Xiang	15 Jan 1999	27 April 2018
Mr Zhu Jun	25 Jun 2003	29 April 2016
Mr Chee Teck Kwong Patrick	16 Jun 2008	28 April 2017
Mr Shen Xia	17 May 2010	29 April 2016
Mr Teo Woon Keng John	3 June 2015	27 April 2018

In accordance with the Bye-Laws of the Company, Mr Zhu Jun and Mr Shen Xia will be retiring in the forthcoming AGM. The Board has accepted the recommendation of the NC to re-nominate Mr Zhu Jun and Mr Shen Xia as Directors of the Company. Mr Zhu Jun and Mr Shen Xia have given their consent to submit themselves for re-election as Directors of the Company.

Key information of the Directors can be found on Page 4 and 5 of this Annual Report.

The Board has not prescribed a maximum number of listed company board representations for the Directors. The Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. Rather, multiple board representation will widen the experience of such Directions and enable them to offer a broader perspective in carrying out their duties in the Company. The NC ensures that a Director, who has multiple board representations, gives sufficient time and attention to the affairs of the Company. This is done by evaluating whether that particular Director has the capacity to and has been adequately carrying out his duties as a Director of the Company based on internal guidelines such as attendance, responsiveness and the ability to contact that particular Director.

As recommended by Guideline 4.5 of the Code, the Board does not encourage the appointment of alternate directors and no alternate director has been appointed to the Board.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC has adopted an evaluation questionnaire to annually assess the performance and effectiveness of the Board as a whole. The evaluation questionnaire focuses on a set of performance criteria, which includes the size and composition of the Board, the Board's access to information pertaining to the Company, the efficiency and effectiveness of Board processes and the standards of conduct of Directors. All Directors are required to complete the evaluation questionnaire. The findings of the evaluation questionnaire are collated and analysed, and thereafter present to the NC for discussion. The NC will then present the findings of the evaluation questionnaire and make its recommendation to the Board.

The evaluation questionnaire, which allows for comparison with industry peers, is approved by the Board and they address how the Board has enhanced long term shareholder value. The Board has not changed any of such performance criteria or questions during FY2018.

Informal evaluation of the performance of the Board is undertaken on a continuous basis by the NC with inputs from the Executive Directors and the Non-Executive Chairman. The latter will act on the results of the evaluation and where appropriate, in consultation with the NC, will propose the appointment of new Directors or seek the resignation of current Directors.

Although the Directors are not evaluated individually, the factors taken into considerations for the re-nomination of a Director include the Director's attendance at meetings held during the financial year and the contributions made by that Director at those meetings.

No external facilitator had been engaged by the Board for the purpose of this evaluation.

The NC has conducted an evaluation of the performance of the Board and confirms that all Directors have contributed effectively, have demonstrated full commitment to their roles in FY2018 and that the Board has met its performance objectives.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors receive a regular supply of detailed information from Management concerning the Group so that they are fully cognizant of the decisions and actions of the Group's executive management. This information may include, and is not limited to, copies disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results are also disclosed and explained.

This equips the Directors with all necessary information required for their participation in Board meetings. In addition, the Directors are issued with Board Papers prior to Board meetings which contain information from Management on financial, business and corporate issues so as to ensure that the Directors are properly briefed on issues to be considered at Board meetings. The Board is also informed of all material events and transactions as and when they occur.

At all times, the Board members have separate and independent access to the Management of the Company, the management of the subsidiaries of the Company and the Company Secretary on all matters. Management regularly provides the Board with information on issues requiring the Board's deliberations, so as to enable the Board to make informed decisions. The Management deals with requests for additional information from the Board promptly and ensures that the Directors are provided with sufficient background and explanatory information for the assessment of the matters by the Board.

The Company Secretary's responsibilities also include ensuring good information flows within the Board and the Board Committees and between the Management and Non-Executive Directors as well as facilitating orientation and assisting with professional development, as required. The appointment and removal of the Company Secretary is a matter for consideration by the Board as a whole.

The Company Secretary, or, when unavailable, an authorized designate, attends all Board and Board Committee meetings and prepares the minutes for such meetings. The Company Secretary also assists the Chairman in ensuring that Board procedures, the Company's Bye-Laws, and other applicable rules and regulations are complied with so that the Board functions effectively.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as a Director.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following Directors, the majority of whom, including the chairman, are independent. The RC Members are:

Mr Chee Teck Kwong Patrick (Chairman)
Mr Shan Chang
Mr Teo Woon Keng John

The RC holds at least one meeting in each financial year. The key functions of the RC under its terms of reference include:

(a) recommending to the Board a framework for the remuneration of the Directors and executive officers and determining specific remuneration packages for each executive Director. These recommendations are submitted for endorsement by the entire Board and cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind;

(b) reviewing the terms and conditions of the service contracts of Directors and reviewing clauses allowing the early termination of the service contract and the corresponding compensation; and

(c) determining whether any Director is eligible for any benefits under any share option schemes or performance share plans as may be implemented.

The recommendations of the RC pertaining to the service contracts of Directors are submitted for endorsement by the Board before the execution of any such service contracts.

The members of the RC are not allowed to participate in any decision concerning their own remuneration and no Director is involved in determining his own remuneration.

The RC also has full authority to engage and access independent and professional advice on remuneration matters, at the expense of the Company, if required. During FY2018, the Board has not engaged any professional advice on remuneration matters.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Group's remuneration policy is to provide remuneration packages that are aligned with the long-term interests and risk policies of the Group and appropriate to attract, retain and motivate Directors to manage the Group successfully.

In setting remuneration packages, the RC takes into account salary and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors.

The Non-Executive Directors do not have any service agreements with the Company. The Non-Executive Directors and Independent Directors are paid directors' fees which comprise a basic fee, fees in respect of service on Board Committees and attendance fees, which is approved annually by the shareholders at the Annual General Meeting of the Company.

Having reviewed and considered the variable components of the executive Directors and the key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

The remuneration for the Company's Executive Directors comprises a basic salary component and a variable component. The variable component is based on the performance of the Group and the individual performance of the relevant Executive Director.

The RC conducts an annual review of these remuneration packages to ensure that the remuneration of the Directors is commensurate with their performance after giving due consideration to the financial and commercial health and business needs of the Group. The RC and the Board periodically review the performance of the Managing Director.

The directors' fees paid to the Directors each year are subject to the shareholders' approval at the forthcoming AGM. The RC has recommended to the Board a total amount of RMB1,300,000 as directors' fees for the financial year ending 31 December 2019. This recommendation has been endorsed by the Board and would be tabled at the forthcoming AGM for shareholders' approval. No Director was involved in deciding his own remuneration.

The Company has established the CIHL Share Option Scheme ("ESOS") in 2010 as a long-term incentive scheme for Directors and employees of the Group. The RC is tasked to review the grant of share options under the ESOS. To date, the Company has granted a total of 4.925 million share options.

For FY2018, the Company did not have any key management personnel other than Mr Shen Xia, who is both the Chief Financial Officer ("CFO") and a Director of the Company.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The remuneration paid (other than share options granted) to each Director of the Company for FY2018 is disclosed in the respective bands as set out below.

Directors	Fee	Salary	Allowance	Bonus	Total
	%	%	%	%	%
Below S$250,000					
Mr Shan Chang	100	–	–	–	100
Mr Teo Woon Keng John	88	–	12	–	100
Mr Zhang Rong Xiang	–	94	–	6	100
Mr Zhu Jun	–	69	26	5	100
Mr Chee Teck Kwong Patrick	88	–	12	–	100
Mr Shen Xia[1]	–	79	16	5	100

Notes:

(1) Mr Shen Xia is also the CFO, a key executive of the Company.

The Company has not disclosed the aggregate remuneration of each Director due to the confidentiality and commercial sensitivity attached to remuneration matters, as well as the competition for talent in the job market in relation to the skillsets of these personnel in the industry.

For FY2018, the Company did not have any key executive officer who is not also a Director of the Company. Hence, no further disclosure of remuneration is required under Guideline 9.3 of the Code. The CFO of the Company is Mr Shen Xia, who is also a Director of the Company.

The service contract of the Managing Director is for a period of 3 years, with an option to renew for further 3 years on the same terms and conditions, and may be terminated by not less than 6 months' written notice or payment in lieu of notice by either party to the service contract.

The remuneration of each Executive Director is based on their respective service contracts with the Company. The service contracts are for an initial period of three years each, with an automatic renewal for a further three years on the same terms and conditions, unless terminated prior to the renewal by either party giving six months' written notice or payment in lieu of notice by either party to the service contract.

The Non-Executive Chairman and Independent Directors do not have any service contracts with the Company. They are paid directors' fees, which are determined by the Board, appropriate to the level of their contribution, taking into account factors such as the responsibilities, effort and time spent for serving the Board and Board Committees.

Directors' fees are tabled annually for shareholders' approval at the AGM of the Company. Other than directors' fees, the Non-Executive Chairman and Independent Directors do not receive any other remuneration from the Company.

There are no employees of the Group who are immediate family members of a Director or a substantial shareholder, and whose remuneration exceeds S$50,000 during FY2018.

In deriving and approving appropriate remuneration packages, the RC takes into account factors such as employment conditions within the industry, roles and responsibilities of the individuals and the need to link reward to performance. The RC ensures that the remuneration paid to Directors is clearly linked to the achievement of their individual performance targets, which is a motivation for Directors to perform commercially and act in the best interests of the Company.

In addition, the Company has also adopted the ESOS and a Share Performance Plan ("SPP") on 8 March 2010 for its employees as part of their remuneration package.

The ESOS and the SPP were introduced to strengthen the Company's competitiveness in attracting and retaining talented key executives and employees and aims to align the interests of the Directors and employees of the Company with that of the shareholders so as to improve performance of the Company and to achieve sustainable growth. The ESOS and SPP, which is administered by the RC, contemplate the award of share options or fully paid shares, when and after pre-determined performance or service targets are met.

The RC reviews and sets the appropriate performance or service targets after considering prevailing business conditions. Such performance and service targets take into account the relevant Director's or employee's rank, responsibilities, length of service, contributions to the success and development of the Group and his potential for future development.

To date, the Company has granted 4.925 million share options under the ESOS and no shares have been issued under the SPP. Full details of the ESOS and the SPP are disclosed respectively on page 29 and page 30 of the Annual Report.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to shareholders for the management of the Group. In order to fulfil its responsibility to provide a balanced and understandable assessment of the Company's performance, position and prospects, the Board updates the shareholders on the operations and financial position of the Group through quarterly, half-yearly and full-year results announcements in addition to timely announcements of other matters as prescribed by the relevant rules and regulations. The Board also provides other price sensitive public reports, and reports to regulators if required.

The Board has also taken adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the SGX-ST Listing Manual, by establishing written policies where appropriate. In line with the SGX-ST Manual, the Board also provides a negative assurance statement to the shareholders in its interim quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

To ensure that the Board fulfils its responsibilities, Management is accountable to the Board by providing the Board with the necessary updates in relation to the performance of the Group. Management provides the Board with information which it may require from time to time, in the discharge of its duties, to make a balanced and informed assessment of the Company's performance, position and prospects.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises the importance of sound internal controls and risk management practices and acknowledges its responsibility for the systems of internal controls and risk management of the Group. In this regard, the role of the Board includes:

(a) ensuring that Management maintains a sound system of risk management to safeguard shareholders' interests and the Group's assets;

(b) determining the nature and extent of significant risks that the Board is willing to take in achieving its strategic objective;

(c) determining the levels of risk tolerance and risk policies of the Company;

(d) overseeing Management in the design, implementation and monitoring of risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems); and

(e) reviewing the adequacy and effectiveness of the risk management and internal control systems annually.

In order to assist the Board in fulfilling its oversight responsibilities on risk management, the Group has set up a management level RMC, comprising three Directors. The members of the RMC are:

Mr Shan Chang (Chairman)
Mr Zhang Rong Xiang
Mr Shen Xia

The key functions of the RMC under its terms of reference include:

(a) reviewing the overall risk management system and process and making recommendations on changes as and when considered appropriate;

(b) reviewing the Group's risk policies, guidelines and limits; and

(c) reviewing periodically the Group's material risk exposures and evaluating the adequacy and effectiveness of the mitigating measures implemented by management.

The RMC holds at least two meetings in each financial year and reviews regularly the Group's policies and procedures, business and operational activities to identify areas of significant risks as well as to determine appropriate measures to control and mitigate these risks. The RMC subsequently reports its findings to the Board and the AC.

The RMC is assisted by the Company's internal auditors, Crowe Horwath First Trust Risk Advisory Pte. Ltd. ("Crowe Horwath"), to monitor and manage the risks across the Group.

In order to assist the Board in reviewing the adequacy and effectiveness of the Company's internal financial, operational and compliance controls, the AC conducts periodic reviews and assesses the effectiveness of key internal controls. The AC meets with Management, internal auditors and external auditors at least once during each financial year to review the internal and external auditors' audit plans. For FY2018, the Group's internal auditors conducted the annual review of the effectiveness of the Group's internal controls based on the plan approved by the AC. Similarly, the Company's external auditors may, during the conduct of their normal audit procedures, also report on matters relating to internal controls.

Any material non-compliance, weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls is reported to the AC. The AC will also follow up on the actions taken by Management on the recommendations of internal and external auditors.

For FY2018, the Board has received statements of assurance from the Managing Director and CFO of the Company that:

(a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the system of risk management and internal control in place within the Group (including financial, operational, compliance and information technology controls) is adequate and effective in addressing the material risks in the Group in its current business environment.

Material associates and joint ventures which the Company does not control are not dealt with in the representative letters from the Managing Director and the CFO.

Management regularly reviews the Group's businesses and assesses the Group's operational environment in order to identify areas of significant business and financial risk, such as foreign exchange risks, interest rate risks, credit risks and liquidity risks. Management ensures that appropriate measures to control and mitigate these risks are adopted. The significant risk management policies are as disclosed in the audited financial statements of this Annual Report on pages 71 to 77.

Based on the various management controls put in place, the internal and external auditors' reports, the statements of assurance from the Managing Director and CFO and the reports of the AC, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls addressing financial, operational, compliance and information technology controls and risk management systems are adequate and effective in meeting the needs of the Group and provide reasonable assurance against material financial misstatements or material loss and to safeguard the Group's assets.

The Company has also adopted an updated Policy and Guideline for Dealing in Securities and an additional Operational Manual on Regulatory Compliance (the "Operation Manual") setting out the regulations and required procedures relating to share buybacks, which were prepared by its legal advisors and internal control auditors respectively. Inter alia, it is now stipulated under the Operational Manual that the Company shall complete a prescribed checklist and obtain prior approval of the Audit Committee of the Board before conducting any share buybacks.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board will, on a continuing basis, endeavour to further enhance and improve the Group's system of internal controls and risk management policies.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC is regulated by a set of written terms of reference, which sets out its duties and responsibilities. The AC comprises three Non-Executive Directors, the majority of whom, including the chairman, are independent. The AC members are:

Mr Teo Woon Keng John (Chairman)
Mr Shan Chang
Mr Chee Teck Kwong Patrick

The AC members bring with them in-depth years of invaluable experience and professional expertise in the financial, legal, consultancy and administrative fields from their previous appointments as directors and senior management in other organisations. The Board is of the view that the AC members have sufficient recent and relevant accounting or related financial management expertise to discharge their responsibilities.

The AC holds meetings at least annually in each financial year. For FY2018, the AC held a total of 4 meetings. As set out in its terms of reference, the AC actively carries out the following functions:

(a) monitoring the changes in accounting policies;

(b) reviewing the internal audit appraisals;

(c) reviewing the adequacy of the Group's internal controls;

(d) reviewing interested person transactions;

(e) examining accounting implications of major transactions so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance; and

(f) reviewing the Company's audit plan, audit issues, audit report and Management's response with the external auditor of the Company. The AC commissions and reviews the findings of the above internal investigations. Where there is any suspected fraud or irregularity, failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on the operations or the financial position of the Company, the AC will discuss such matters with the external auditors of the Company. The AC ensures that the appropriate follow-up actions are taken. In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

The AC has explicit authority to investigate any matter within its terms of reference and has full access to Management and resources, which are necessary to enable the AC to discharge its functions properly. The AC also has full access to, and the cooperation of, Management and has full discretion to invite any Director or executive officer of the Company to attend their meetings.

The AC meets with the external auditor and internal auditor, at least annually, without the presence of Management. The AC has reviewed and is satisfied with the external auditor's independence and objectivity.

The AC keeps abreast of changes to accounting standards and issues which have a direct impact on financial statements through the report presented by the external auditors on the scope and results of the external audit, and through their discussions with the external auditors.

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

For FY2018, the amount of audit fees paid to the external auditor was RMB900,000. No further non-audit fees were paid to the external auditor for FY2018.

The AC, together with the external auditors and the Management, considered and discussed the Key Audit Matters included in the auditors' report. The AC concurs with the basis included in the Key Audit Matters. For more information on the Key Audit Matters, please refer to page 33 to 35 of the annual report.

The AC, with the concurrence of the Board, has recommended the re-appointment of Nexia TS Public Accounting Corporation as the external auditor at the forthcoming AGM of the Company. The Company confirms that Rules 712 and 716 of the SGX-ST Listing Manual have been complied with, specifically, the Board and the AC are satisfied that the appointment of different auditing firms for the Company and its subsidiaries or significant associate companies will not compromise the standard and effectiveness of the audit of the Company.

The Board has established a whistle-blowing policy, endorsed by the AC to allow employees, customers, other stakeholders and any other persons to raise concerns or observations, in confidence, to the Board about possible irregularities or improprieties in financial or other operational matters. If such concerns or observations are raised, the Board ensures that independent investigation and appropriate follow-up action takes place. For FY2018, no reports have been received under the whistle-blowing policy.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group has outsourced its internal audit function to Crowe Horwath, an independent advisory firm, for FY2018. The objective of the internal audit function is to determine whether the Group's key controls and governance processes are adequate and functioning in the required manner. The audit function carried out by Crowe Horwath is guided by the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors (IIA Standards).

Crowe Horwath carries out its functions under the direction of the AC and conducts its reviews in accordance with the audit plan approved by the AC. Crowe Horwath reports their findings and makes recommendations to the AC and administratively to Management at least annually. The reports and recommendations of Crowe Horwath are submitted to the AC for discussion and deliberation. To ensure timely and adequate closure of audit findings, the status of the implementation of the actions as agreed by Management is tracked and discussed with the AC. In addition, Management will update the AC on the status of the remedial action plans.

Based on its assessment, the AC is satisfied with the quality and effectiveness of the internal audit and is satisfied that its internal auditors are currently adequately resourced and have appropriate standing within the Group to perform its functions effectively. The AC is also satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

Crowe Horwath has full and unfettered access to all of the Group's documents, records, properties and personnel, including access to the AC. Crowe Horwath carries out its function in accordance with the standards set by nationally or internationally recognised professional bodies.

In accordance with the audit plan approved by the AC, Crowe Horwath conducts an annual review of the effectiveness of the Company's material internal controls. Material non-compliance, failures in internal controls and recommendations for improvements are reported to the AC.

The AC periodically reviews the internal audit reports and activities and the effectiveness of the Company's internal audit function. The AC is of the view that the internal audit function is independent, effective and adequately resourced to perform its functions and has appropriate standing within the Group.

Shareholders' Rights and Responsibilities, Communication with Shareholders and Conduct of Shareholders' Meeting

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

In line with the continuing obligations of the Group pursuant to the SGX-ST Listing Manual, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. The shareholders are informed of the rules, including voting procedures, which govern general meetings of shareholders.

The Bye-Laws of the Company allow a shareholder to appoint one or two proxies to attend and vote on behalf of the shareholder. The Bye-Laws of the Company currently do not allow a shareholder to vote in absentia.

Shareholders who hold shares through nominees are allowed, upon prior request through their nominees, to attend the general meetings of shareholders as observers without being constrained by the two-proxy rule.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes in the timely, fair and adequate disclosure of relevant information to the shareholders and investors so that they will be apprised of developments that may have a material impact on the price or value of Company's securities. The Company does not practice selective disclosure. In this respect, the Board presents a balanced and informed assessment of the Group's performance, position and prospects in its announcements, including quarterly and full-year results and reports to regulators, if any, all of which are released through the SGX-ST website at SGXNet (www.sgx.com). The Company also strives to be as descriptive, detailed and forthcoming as possible. The Company has a policy that where there is inadvertent disclosure made to a selected group, the Company will ensure that the information is disclosed publicly to all others as soon as practicable. In addition, the Company's investor relations personnel are available by e-mail or telephone to answer any questions from shareholders.

While the Company does not have a dedicated investor relations team, the Company recognises the importance of regular, effective and timely communication with the shareholders.

The Group also maintains a website at http://www.cihgrp.net/ where the public can access to information relating to the Company. The Company continuously reviews ways to enhance its corporate reporting process and the ease of access to information released.

The Company does not have a formal dividend policy. The Board considers the Company's capital structure, cash requirements and future plans in deciding whether to declare dividends or not. For FY2018, the Company has not distributed dividends due to volatile market conditions.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company's main forum for dialogue with shareholders is the AGM. All shareholders will receive the Annual Report and notice of AGM. At general meetings of shareholders, the shareholders will be given the opportunity to voice their views and direct questions regarding the affairs of the Company to the Directors or Management. Directors, including chairpersons of the Board Committees, are present at the AGM of the Company to address any queries from the shareholders. The Company's external auditor is also invited to assist in addressing any queries by shareholders relating to the conduct of the external audit and the preparation and content of its auditors' report. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure. To encourage the participation of the shareholders at general meetings, the Company ensures that the venue for general meetings is at a central location easily accessed by public transportation.

The Bye-Laws of the Company allow a shareholder to appoint one or two proxies to attend and vote on behalf of the shareholder. The Bye-Laws of the Company currently do not allow a shareholder to vote in absentia. Shareholders who hold shares through nominees are allowed, upon prior request through their nominees, to attend the general meetings of shareholders as observers without being constrained by the two-proxy rule.

To ensure that the shareholders have the opportunity to participate effectively in and vote at general meetings, voting at general meetings is conducted by way of poll since 2008. The chairman of the meeting, with the assistance of service providers engaged by the Company, will brief shareholders to familiarise them with the detailed procedures involved in voting by way of poll. An announcement containing the detailed results of the number of votes cast for, and against, each resolution and the respective percentages will be announced after the general meeting via SGXNet (www.sgx.com). Having considered the costs and benefits, the Board has decided not to facilitate voting by way of poll by electronic means at this juncture.

The Company Secretary prepares minutes of all general meetings. The minutes include all questions and comments from the shareholders together with the responses from the Board and Management. These minutes are available to shareholders upon their request.

Resolutions to be passed at general meetings are always separate and distinct in terms of issue so that shareholders are better able to exercise their right to approve or deny the issue or motion.

Dealings in Securities

The Group has adopted an internal policy that complies with and is consistent with Rule 1207(19) of the SGX-ST Listing Manual in relation to dealings in the securities of the Company.

Directors, officers and employees of the Company are notified that they are prohibited from trading in the securities of the Company while in possession of material unpublished price sensitive information, and during the period commencing two weeks before the announcement of Company's quarterly results and one month before the announcement of the Company's full-year results, ending on the date of the announcement of the relevant results. In compliance with Rule 1207(19) of the SGX-ST Listing Manual, quarterly reminders of the restrictions in dealing in the securities of the Company are issued to all Directors, officers and employees of the Company. The Directors are issued with a copy of the Company's Best Practice on Securities' Dealings as they are privy to price sensitive information.

The Directors, officers and employees are also reminded and expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

The Directors and the officers of the Company are required to notify the Company of their dealings in the Company's shares within two business days of the transaction.

The Company has complied with Rule 1207(19) of the SGX-ST Listing Manual.

Interested Person Transactions ("IPTs")

The Company has established guidelines on interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual) and has set out procedures for the review and approval of any interested person transaction.

The AC reviews all material interested person transactions and keeps the Board informed of such transactions. Before making its recommendations to the Board for its approval, the AC ensures that such interested person transactions are carried out on normal commercial terms or entered into on an arm's length basis and are not prejudicial to the interests of the Group and its minority shareholders. Measures are taken to ensure that the terms and conditions of interested person transactions are not more favourable than those granted to non-related persons under similar circumstances.

For FY2018, the Company did not enter into any interested person transaction and hence, no announcement is required under the rules of the SGX-ST Listing Manual.

Material Contracts

Save for the service contracts between the Executive Directors and as disclosed elsewhere in the financial statements for FY2018, there were no material contracts (including loans) of the Group involving the interests of any Directors or controlling shareholders entered into during FY2018 that is required to be disclosed under Rule 1207(8) of the SGX-ST Listing Manual.

The directors present their statement to the members together with the audited consolidated financial statements of China International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 38 to 137 are properly drawn up in accordance with the International Financial Reporting Standards so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) 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.

Directors

The directors of the Company in office at the date of this statement are as follows:

Mr Shan Chang
Mr Zhang Rong Xiang
Mr Zhu Jun
Mr Chee Teck Kwong Patrick
Mr Shen Xia
Mr Teo Woon Keng John

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" in this statement.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee	
	At 31.12.2018	**At 1.1.2018**
Company		
(No. of ordinary shares of S$0.05 (FY2017: S$0.05) each)		
Mr Zhang Rong Xiang	210,550	206,950

The director's interests in the ordinary shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

Share options

(a) CIHL Share Option Scheme

The Group adopted CIHL Share Option Scheme (the "2010 Scheme") on 8 March 2010. As at the date of this statement, the following share options have been granted by the Company to the directors pursuant to 2010 Scheme:

	No. of unissued ordinary shares of the Company under option					
Name of director	**Aggregate granted since commencement of scheme to 31.12.2018**	**Lapsed in financial year ended 31 12.2018**	**Expired in financial year ended 31.12.2018**	**Granted in financial year ended 31.12.2018**	**Aggregate exercised since commencement of scheme to 31.12.2018**	**Aggregate outstanding as at 31.12.2018**
Mr Shan Chang	400,000	–	–	–	–	400,000
Mr Fong Weng Khiang[1]	400,000	(400,000)	–	–	–	–
Mr Zhang Rong Xiang	500,000	–	–	–	–	500,000
Mr Zhu Jun	500,000	–	–	–	–	500,000
Mr Chee Teck Kwong Patrick	400,000	–	–	–	–	400,000
Mr Shen Xia	500,000	–	–	–	–	500,000
	2,700,000	(400,000)	–	–	–	2,300,000

(1) The share options that were vested to the Company's former independent director, Mr Fong Weng Khiang, who has retired on 29 April 2015 has lapsed on 28 April 2018.

Share options (Cont'd)

(a) CIHL Share Option Scheme (Cont'd)

There were 2,700,000 share options granted to the above directors of the Company on 10 March 2014 at the exercise price of S$0.904 and 400,000 share options has lapsed on 28 April 2018. The vesting schedule of the share options is 50% after the first anniversary of the grant and 50% after the second anniversary of the grant. The expiry date of the remaining share options is on 9 March 2019. The fair value of share options granted during the financial year 31 December 2014 was estimated to be S$1,447,000, equivalent to RMB6,989,000 using the Binomial Option Pricing Model.

As at date of the report, all share options have expired.

Since the commencement of the 2010 Scheme to the end of the financial year ended 31 December 2018, save as disclosed above:

(i) no employees of the Company or its subsidiaries have received 5% or more of the total number of share options available under the 2010 Scheme;

(ii) no share options have been granted to controlling shareholders of the Company or their associates; and

(iii) no share options have been granted at a discount of more than 20% to the prevailing market price of the shares.

No share has been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

The 2010 Scheme is administered by the Remuneration Committee, members of which included Mr Shan Chang, Mr Chee Teck Kwong Patrick and Mr Teo Woon Keng John.

(b) CIHL Performance Share Plan (the "PSP")

The PSP was approved by the shareholders of the Company at a Special General Meeting held on 8 March 2010. The PSP shall complement the 2010 Scheme and serve as an additional and flexible incentive tool.

Under the rules of the PSP, all directors and employees of the Group as well as the employees of associates are eligible to participate in the PSP at the absolute discretion of the Remuneration Committee.

The total number of shares over which shares to be issued under the PSP, together with the number of shares issued under the 2010 Scheme shall not exceed 15% of the issued share capital of the Company at any time.

The Remuneration Committee is charged with the administration of the PSP in accordance with the rules of the PSP. The Remuneration Committee administering the PSP comprises the directors, Mr Shan Chang, Mr Chee Teck Kwong Patrick and Mr Teo Woon Keng John.

Share options (Cont'd)

(b) CIHL Performance Share Plan (the "PSP") (Cont'd)

None of the directors in the committee participated in any deliberation or decision in respect of shares granted to himself.

The number of shares to be offered to a participant shall be determined at the discretion of the Remuneration Committee provided that:

(i) the aggregate number of shares which may be offered to participants who are controlling shareholders and their associates shall not exceed 25% of the 2010 Scheme; and

(ii) the number of shares which may be offered to each participant who is a controlling shareholder or their associates shall not exceed 10% of the 2010 Scheme.

No shares had been granted to any participant since the commencement of the PSP.

Audit committee

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Mr Teo Woon Keng John (Chairman)
Mr Shan Chang
Mr Chee Teck Kwong Patrick

All members of the AC were non-executive directors.

The AC carried out its functions in accordance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual and the Code of Corporate Governance, including a review of the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 and the Independent Auditors' Report thereon. The AC has full access to management, has discretion to invite any director or executive officer to attend its meetings and is given the resources required for it to discharge its functions.

The AC has also reviewed the following:

(i) the adequacy of the Group's internal accounting control system and its internal control procedures relating to interested person transactions;

(ii) the compliance with legal and other regulatory requirements;

(iii) the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;

(iv) the appointment of the independent auditors and the level of audit and non-audit fees;

(v) the co-operation given by the Company's management and officers to the independent auditors;

Audit committee (Cont'd)

The AC has also reviewed the following: (Cont'd)

(vi) the review of independent auditors' audit plan, audit report and any recommendations on internal accounting controls arising from the statutory audit; and

(vii) any other matter which in the AC's opinion, should be brought to the attention of the Board.

No non-audit fees were paid to the independent auditors for financial year ended 31 December 2018. The AC is satisfied with the independence and objectivity of the independent auditors, Nexia TS Public Accounting Corporation ("Nexia"); and has recommended to the Board that Nexia be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Shan Chang
Director

Zhang Rong Xiang
Director

2 April 2019

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying financial statements of China International Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 38 to 137.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for professional Accountants* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with IESBA 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 consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Cont'd)

Revenue – construction of water pipeline
(Refer to Notes 2.6(ii), 2.14 and 5 to the financial statements)

Area of focus

For the financial year ended 31 December 2018, revenue from construction of water pipeline amounted to RMB54.8 million, representing 61% of the Group's revenue.

The Group has adopted IFRS 15 Revenue from Contracts with Customers effective for the financial year beginning on or after 1 January 2018 by adjusting the cumulative effect of initially applying this standard to the retained earnings as at 1 January 2018. Prior to 1 January 2018, the Group recognised revenue from construction of water pipeline in accordance with IAS 11 Construction Contracts which is based on the stage of completion measured by reference to the percentage of contract costs incurred for the work performed as at reporting date relative to the estimated total contract costs. With the adoption of IFRS 15, management has exercised significant judgement and/or estimates, including but not limited to, whether the contracts comprise of multiple or single performance obligation, transaction price of the contracts and estimated total contract costs. The Group has assessed the implication of the adoption of IFRS 15 and recognised revenue from construction of water pipeline at a point in time when the performance obligation is satisfied, being when the promised services have been handed over to the customer. The details of the accounting policy of revenue recognition on construction of water pipeline and related accounting estimates and judgements are set out in Notes 2.6(ii) and 4(c) to the consolidated financial statements, respectively.

We identified the revenue recognition for the construction of water pipeline as key audit matter due to the magnitude of revenue contribution to the Group and the significant degree of judgement involved in determining the accounting treatment of revenue under IFRS 15. Inappropriate judgements and/or estimates used could result in a material variance in the revenue recognised in profit or loss and/or a provision for onerous contract are required, if any.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures were performed:

- Reviewed and evaluated the Group's implementation of IFRS 15.
- Assessed and evaluated the completeness and mathematical accuracy of the cumulative effect adjustments as at 1 January 2018 on the Group.
- Obtained an understanding and examined key controls over the revenue recognition for construction of water pipeline.
- Reviewed the terms and conditions of significant contracts.
- Verified sales transactions to underlying supporting documents e.g. invoices and customer acceptance of services.
- Compared the average actual margin of completed projects to the estimated profit margin used by management and identified whether any onerous contract exist.

Key Audit Matters (Cont'd)

Recoverability of goodwill arising on consolidation
(Refer to Notes 2.10 and 16 to the financial statements)

Area of focus

As at financial year ended 31 December 2018, goodwill of RMB20.3 million has been recognised in the consolidated statement of financial position as a result of the acquisition of CIHL (Tianjin) Water Development Co., Limited on 1 October 2010.

The recoverable amount of goodwill has to be reviewed annually regardless of whether there is any indication of impairment. The Group has determined the recoverable amount of goodwill, to be attributable to its water supply service cash-generating-unit ("CGU") of which the goodwill belongs. The recoverable amount of goodwill is highly dependent on management's forecasts and estimates which include, but not limited to, discount rate, growth rate and budgeted gross margin.

We identified goodwill arising on consolidation as key audit matter due to the inherent uncertainty involved in forecasts and estimates, which forms the basis of the assessment of recoverability.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures were carried out:

- With the assistance of our valuation specialist, critically evaluated whether the model used by management to determine the recoverable amount of goodwill complies with IAS 36 *Impairment of Assets*.
- Analysed the future projected cash flows used in the model to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the CGU.
- Evaluated the reasonableness and appropriateness of the key assumptions, e.g. growth rate and discount rate, used by the management, by comparing them against historical forecasts and performance, as well as publicly available market data.
- Performed sensitivity analysis against the key assumptions used.
- Reviewed management's disclosures in the consolidated financial statements.

Other Information

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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 director on the audit resulting in this independent auditor's report is Low See Lien.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
2 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Continuing operations			
Revenue	5	89,681	90,826
Cost of sales and services provided		(38,657)	(37,012)
Gross profit		51,024	53,814
Other income - net	6(a)	7,914	14,002
Other (losses)/gains - net	6(b)	(147)	20,133
Expenses			
- Administrative		(8,771)	(9,866)
- Other operating		(24,656)	(18,649)
- Finance	7	(2,391)	(8,718)
Share of net (loss)/profit of associates accounted for using the equity method	18	(2,902)	6,436
Profit before income tax		20,071	57,152
Income tax expense	10	(1,554)	(25,055)
Profit for the financial year from continuing operations		18,517	32,097
Discontinued operations			
Profit for the financial year from discontinued operations	11(a)	–	2,894
Total comprehensive profit for the financial year		18,517	34,991
Total comprehensive profit for the financial year attributable to:			
Equity holders of the Company		7,162	19,802
Non-controlling interests		11,355	15,189
		18,517	34,991
Total comprehensive profit for the financial year attributable to equity holders of the Company relates to:			
Continuing operations		7,162	18,210
Discontinued operations		–	1,592
		7,162	19,802
Earnings per share for profit from continuing and discontinued operations attributable to the equity holders of the Company (RMB (Fen) per share)			
Basic and diluted earnings per share			
From continuing operations	12	10.05	29.59
From discontinued operations	12	–	2.59
		10.05	32.18

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 2018 RMB'000	Group 2017 RMB'000	Company 2018 RMB'000	Company 2017 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	172,572	143,877	–	–
Intangible assets	14	243	122	–	–
Investment properties	15	34,800	34,800	–	–
Goodwill arising on consolidation	16	20,303	20,303	–	–
Investments in subsidiaries	17	–	–	196,000	196,000
Investments in associates	18	99,469	102,371	–	–
Deferred income tax assets	19	7,733	3,425	–	–
		335,120	304,898	196,000	196,000
Current assets					
Inventories	20	1,750	2,165	–	–
Other current assets	21	27,809	–	–	–
Trade and other receivables	22	219,682	351,636	452,415	460,799
Cash and cash equivalents	24	64,266	57,063	1	1
		313,507	410,864	452,416	460,800
LIABLITIES					
Current liabilities					
Borrowings	25	28,000	90,848	–	–
Trade and other payables	26	143,709	180,505	142,387	146,932
Current income tax liabilities		25,853	15,235	–	–
		197,562	286,588	142,387	146,932
Net current assets		115,945	124,276	310,029	313,868
Total assets less current liabilities		451,065	429,174	506,029	509,868
Non-current liabilities					
Deferred income	27	16,300	–	–	–
Deferred income tax liabilities	19	19,394	29,440	–	–
		35,694	29,440	–	–
Net assets		415,371	399,734	506,029	509,868
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	28(a)	17,779	17,779	17,779	17,779
Reserves	29	922,366	920,842	891,673	891,968
Accumulated losses		(627,608)	(631,518)	(403,423)	(399,879)
		312,537	307,103	506,029	509,868
Non-controlling interests	17	102,834	92,631	–	–
TOTAL EQUITY		415,371	399,734	506,029	509,868

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before income tax including discontinued operations		20,071	52,311
Adjustments for:			
- Depreciation of property, plant and equipment	13	10,900	8,558
- Interest expenses	7	2,391	8,718
- Interest income		(6,713)	(13,167)
- Fair value gains on investment properties	6(b)	–	(2,700)
- Gain on disposal of property, plant and equipment	6(b)	(15)	(80)
- Gains on disposal of subsidiaries	6(b)	–	(6,415)
- Share of loss/(profit) of associates	18	2,902	(6,436)
- Partial waiver of amount payable	6(b)	–	(11,000)
- Unrealised currency translation loss/(gain)		61	(735)
		29,597	29,054
Changes in working capital, net of effects from disposal of subsidiaries			
- Development properties		–	(104,765)
- Inventories		415	1,404
- Other current assets		(24,847)	–
- Trade and other receivables		(31,933)	9,270
- Trade and other payables		(8,201)	133,336
Cash provided by operations activities		(34,969)	68,299
Interest paid		–	(5,955)
Income tax paid		(4,330)	(27,738)
Net cash (used in)/provided by operating activities		(39,299)	34,606
Cash flows from investing activities			
Disposal of subsidiaries, net of cash disposed of	24	–	20,116
Increase of restricted bank balances pledged		(1)	(5,854)
Interest received		393	554
Purchases of property, plant and equipment		(39,595)	(52,806)
Purchase of intangible assets		(121)	–
Proceeds from disposal of property, plant and equipment		15	80
Repayment of loans and interest from an associates		168,548	59,800
Net cash provided by investing activities		129,239	21,890

The accompanying notes form an integral part of these financial statements.

	Note	2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Interest and other finance expenses paid		(6,129)	(10,067)
Cash from non-controlling interest investment		–	2,250
Purchase of treasury shares	28(d)	(9)	–
Sale of treasury shares	28(d)	9	–
Proceeds from borrowings			
- non-related parties		–	28,000
Repayments of borrowings			
- non-related parties		(23,748)	(104,765)
- related parties		(39,100)	(1,000)
Special dividend paid	32	–	(51,130)
Dividend paid to a non-controlling shareholder		(30,000)	(10,000)
Government grant received		16,300	–
Net cash used in financing activities		(82,677)	(146,712)
Net increase/(decrease) in cash and cash equivalents		7,263	(90,216)
Cash and cash equivalents			
Beginning of financial year		56,918	146,399
Effects of exchange rate changes on cash and cash equivalents		(61)	735
End of financial year	24	64,120	56,918

Reconciliation of liabilities arising from financing activities

	1 January 2018	Principal and interest payments	Non-cash movement Interest expense	31 December 2018
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Borrowings	90,848	(62,848)	–	28,000
Accrued interest	4,970	(6,129)	2,390	1,231

	1 January 2017	Principal and interest payments	Non-cash movement Interest expense	31 December 2017
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Borrowings	173,312	(82,464)	–	90,848
Accrued interest	1,620	(5,368)	8,718	4,970

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2018

	Attributable to equity holders of the Company												
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Statutory reserves* RMB'000	Capital redemption reserve RMB'000	Currency translation reserve RMB'000	Share options reserve RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
2018													
Beginning of financial year	17,779	65,712	810,044	7,764	23,736	8,324	(2,147)	7,409	–	(631,518)	307,103	92,631	399,734
Adoption of IFRS 15	–	–	–	–	–	–	–	–	–	(1,728)	(1,728)	(1,152)	(2,880)
Balance as at 1 January 2018	17,779	65,712	810,044	7,764	23,736	8,324	(2,147)	7,409	–	(633,246)	305,375	91,479	396,854
Total comprehensive income for the financial year	–	–	–	–	–	–	–	–	–	7,162	7,162	11,355	18,517
Transfer	–	–	–	–	1,819	–	–	–	–	(1,819)	–	–	–
Share options lapsed	–	–	–	–	–	–	–	(295)	–	295	–	–	–
Share buybacks	–	–	–	–	–	–	–	–	(9)	–	(9)	–	–
Sales of treasury shares	–	–	–	–	–	–	–	–	9	–	9	–	–
End of financial year	17,779	65,712	810,044	7,764	25,555	8,324	(2,147)	7,114	–	(627,608)	312,537	102,834	415,371
2017													
Beginning of financial year	257,321	46,060	565,589	7,268	23,767	8,324	(2,147)	7,409	–	(573,574)	340,017	202,313	542,330
Total comprehensive income for the financial year	–	–	–	–	–	–	–	–	–	19,802	19,802	15,189	34,991
Transfer	–	–	–	–	2,051	–	–	–	–	(2,051)	–	–	–
Disposal of subsidiaries	–	–	–	496	(2,082)	–	–	–	–	–	(1,586)	(87,121)	(88,707)
Capital reorganisation	(244,455)	–	244,455	–	–	–	–	–	–	–	–	–	–
Special dividend	–	–	–	–	–	–	–	–	–	(75,695)	(75,695)	–	(75,695)
Dividend	–	–	–	–	–	–	–	–	–	–	–	(40,000)	(40,000)
Scrip shares issued	4,913	19,652	–	–	–	–	–	–	–	–	24,565	–	24,565
Non-controlling interests arising from incorporation of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	2,250	2,250
End of financial year	17,779	65,712	810,044	7,764	23,736	8,324	(2,147)	7,409	–	(631,518)	307,103	92,631	399,734

* *As stipulated by the relevant laws and regulations for foreign investment enterprises in PRC, the PRC subsidiaries of the Group are required to provide for statutory surplus reserve fund and voluntary contribution of enterprise expansion fund. Appropriations to such reserve funds are made out of a total of 10.5% of net profit after tax of the statutory financial statements of the PRC subsidiaries and the amount and allocation basis are decided by their respective board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses of the PRC subsidiaries, if any, and can be applied to convert into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation. The appropriations to the statutory surplus reserve fund and enterprise expansion fund are reflected in the statutory reserves under shareholders' funds.*

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

China International Holdings Limited (the "Company") is listed on the main board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Company is an exempted company incorporated in Bermuda with limited liability under the Companies Act of Bermuda.

The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is in the People's Republic of China (the "PRC").

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries and associates are disclosed in Notes 17 and 18 to the financial statements respectively.

2. Summary of significant accounting policies

These policies have been consistently applied to all the financial years presented, unless otherwise stated. The financial statements are for the group consisting of China International Holdings Limited and its subsidiaries (the "Group").

2.1 Basis of preparation

(i) Compliance with International Financial Reporting Standards ("IFRS")

The consolidated financial statements of the Group have been prepared in accordance with IFRS and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

The financial statements are presented in Renminbi ("RMB") and all values in the tables are rounded to the nearest thousand (RMB'000) as indicated.

(ii) Historical cost convention

The financial statements have been prepared under the historical cost basis, except as disclosed in the accounting policies below.

2. Summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Shared-based Payment Transactions - Amendments to IFRS 2
- Annual improvements 2014-2016 cycle
- Transfers for Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of other standards and amendments listed above did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years, except for the following:

The Group had change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15.

<u>IFRS 9 Financial Instruments ("IFRS 9")</u>

The Group has adopted IFRS 9 with effective for the financial year beginning on or after 1 January 2018. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Trade and other receivables that were previously classified as loans and receivables under IAS 39 are classified as financial assets measured at amortised cost. There is no change to the initial measurement of the Company's financial assets. Impairment of financial assets is based on an expected credit loss ("ECL") model under IFRS 9, instead of the incurred loss model under IAS 39. ECLs are a probability-weighted estimate of credit losses. The details of the Group's accounting policy is disclosed in Note 2.17 to the financial statements. The adoption of IFRS 9 has not had an effect on the Group's accounting policies related to financial liabilities.

There was no material impact to the financial statements of the Group and the Company as at 1 January 2018 arising from the adoption of IFRS 9.

2. Summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

(iii) New and amended standards adopted by the Group (Cont'd)

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The adoption of IFRS 15 has not significantly impacted the Group's revenue recognition, except for the revenue recognition for the construction of water pipeline.

Before adopting IFRS 15, the Group recognised revenue from the construction of water pipeline using the percentage of completion method, measured by reference to the percentage of contracts costs incurred to date compared to the estimated total contract costs for the contracts. Under IFRS 15, the Group has assessed the contracts from construction of water pipeline and identified that each contract comprised a single performance obligation which is to be satisfied at a point in time, i.e. when the promised service has been handover to the customer. As such, revenue is recognised upon completion of services rendered with any costs incurred to fulfill the contract to be deferred until such milestone is reached. The details of the Group's accounting policies are disclosed in Note 2.6 to the financial statements.

2. Summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

(iii) New and amended standards adopted by the Group (Cont'd)

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (Cont'd)

Impact of transition to IFRS 15

The Group has adopted IFRS 15 retrospectively by recognising the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2018) ("cumulative effect method"). In addition to this transition method, the Group has elected to apply this Standard retrospectively only to contracts that are not completed contracts as at 1 January 2018. Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations, and the additional disclosure requirements in IFRS 15 have not generally been applied to comparative information.

As a result of the adoption of IFRS 15, the cumulative effect made to the consolidated statement of financial position as at 1 January 2018 is as follow:

	As at 31 December 2017 (IAS11 and 18)	Effect of the adoption of IFRS 15	As at 1 January 2018 (IFRS 15)
	RMB'000	RMB'000	RMB'000
Consolidated Statement of Financial Position			
ASSETS			
Current assets			
Trade and other receivables	351,421	(1,659)	349,762
Other current assets	–	2,962	2,962
LIABLITIES			
Current liabilities			
Trade and other payables	180,291	5,143	185,434
Current income tax liabilities	15,235	(960)	14,275
EQUITY			
Equity attributable to equity holders of the Company			
Accumulated losses	(631,518)	(1,728)	(633,246)
Non-controlling interests	92,631	(1,152)	91,479

* The above table show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

2. Summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

(iii) New and amended standards adopted by the Group (Cont'd)

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (Cont'd)

Impact of adopting IFRS 15

The following tables illustrate the Group's consolidated statement of comprehensive income for the financial year ended 31 December 2018 and consolidated statement of financial position as at 31 December 2018 by application of IFRS 15 as compared to IAS 11, IAS 18 and related interpretations that were in effect before the change.

Impact on the Group's consolidated statements of comprehensive income for the financial year ended 31 December 2018:

	For the financial year ended 31 December 2018 (IFRS 15) RMB'000	Adjustment RMB'000	For the financial year ended 31 December 2018 (IAS 11 and 18) RMB'000
Revenue	89,681	13,725	103,406
Cost of sales and services provided	(38,657)	(3,137)	(41,794)
Gross profit	51,204	10,588	61,612
Other income-net	7,914	–	7,914
Other (losses)/gains - net	(147)	–	(147)
Expenses			
- Administrative	(8,771)	–	(8,771)
- Other operating	(24,656)	–	(24,656)
- Finance	(2,391)	–	(2,391)
Share of net (losses)/profit of associates accounted for using the equity method	(2,902)	–	(2,902)
Profit before income tax	20,071	10,588	30,659
Income tax expense	(1,554)	(2,647)	(4,201)
Profit for the financial year from continuing operations	18,517	7,941	26,458
Discontinued operations			
Profit for the financial year from discontinued operations	–	–	–
Total comprehensive profit for the financial year	18,517	7,941	26,458
Total comprehensive profit for the financial year attributable to:			
Equity holders of the Company	7,162	4,764	11,926
Non-controlling interests	11,355	3,177	14,532
	18,517	7,941	26,458

2. Summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

(iii) New and amended standards adopted by the Group (Cont'd)

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (Cont'd)

Impact of adopting IFRS 15 (Cont'd)

Impact on the Group's consolidated statements of financial position as at 31 December 2018:

	As at 31 December 2018 (IFRS 15)	Adjustment	As at 31 December 2018 (IAS 11 and 18)
	RMB'000	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	172,572	–	172,572
Intangible assets	243	–	243
Investment properties	34,800	–	34,800
Goodwill arising on consolidation	20,303	–	20,303
Investments in subsidiaries	–	–	–
Investments in associates	99,469	–	99,469
Deferred income tax assets	7,733	–	7,733
Current assets			
Inventories	1,750	–	1,750
Other current assets	27,809	(27,809)	–
Trade and other receivables	219,682	34,612	254,294
Cash and cash equivalents	64,266	–	64,266

2. Summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

(iii) New and amended standards adopted by the Group (Cont'd)

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (Cont'd)

Impact of adopting IFRS 15 (Cont'd)

Impact on the Group's consolidated statement of financial position as at 31 December 2018: (Cont'd)

	As at 31 December 2018 (IFRS 15)	Adjustment	As at 31 December 2018 (IAS 11 and 18)
	RMB'000	RMB'000	RMB'000
LIABLITIES			
Current liabilities			
Borrowings	28,000	–	28,000
Trade and other payables	143,709	(7,625)	136,084
Current income tax liabilities	25,853	3,607	29,460
Non-current liabilities			
Deferred income	16,300	–	16,300
Deferred income tax liabilities	19,394	–	19,394
Net assets	415,371		426,192
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	17,779	–	17,779
Reserves	922,366	–	922,366
Accumulated losses	(627,608)	6,492	(621,116)
Non-controlling interests	102,834	4,329	107,163
TOTAL EQUITY	415,371		426,192

2. Summary of significant accounting policies (Cont'd)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 2.2 (c) below), after initially being recognised at cost.

(c) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10 to the financial statements.

2. Summary of significant accounting policies (Cont'd)

2.2 Principles of consolidation and equity accounting (Cont'd)

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

(e) Related parties

A related party is a person or entity that is related to the Group.

(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 of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company 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).

2. Summary of significant accounting policies (Cont'd)

2.2 Principles of consolidation and equity accounting (Cont'd)

(e) Related parties (Cont'd)

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies: (Cont'd)

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity 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. If the Group is itself such a plan, the sponsoring employers are also 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 Company or to the parent of the Company.

2.3 Investments in subsidiaries and associates

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, including executive directors. The Board of Directors, including executive directors, are responsible for allocating resources and assessing performance and position of the operating segments, and makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

2. Summary of significant accounting policies (Cont'd)

2.5 Foreign currency translation (Cont'd)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance expenses. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within "Other (losses)/gains - net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

2. Summary of significant accounting policies (Cont'd)

2.6 Revenue recognition

From 1 January 2018, the Group recognised its revenue as follows:

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amount collected on behalf of third parties.

Revenue is recognised when the Group satisfied a performance obligation by transferring a promise good or service to a customer, which is when the customer obtains control of the good and service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(i) Water supply income

The Group supply grey water to the customers. Revenue is recognised at a point in time when control of the water has been transferred to the customers, being when the customer has full discretion over the usage of the water, and there is no unfulfilled obligation that could affect the customer's usage. Usage is measured by meters installed at the customer's locations.

The revenue is then measured at the transaction price per unit of usage that is agreed under contract. In most of the cases, payments are received in advance from customer, nevertheless, no element of financing is deemed present as the timing of the transfer of the water is at the discretion of the customer.

A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Construction of water pipeline

Revenue from construction of water pipeline is recognised at a point in time when the control has been transferred to the customer, being when the promised services have been handed over and acknowledged by the customers. The Group does not has an enforceable right to payment until the water pipeline has been handed over to the customers.

The revenue is measured at the transaction price agreed under contract. In most of the cases, payments are received in advance from customer, nevertheless, no element of financing is deemed present as such payment terms is an industry practice to protect the performing company from the customers' failure to adequately complete some or all of its obligations under the contract.

A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For costs incurred for uncompleted contract are disclosed as other current asset in Note 2.15 to the financial statements.

2. Summary of significant accounting policies (Cont'd)

2.6 Revenue recognition (Cont'd)

From 1 January 2018, the Group recognised its revenue as follows: (Cont'd)

(iii) Land development construction contracts

The Group performs construction and upgrade services to the land for the customer. Revenue is recognised when control over the agreed services has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the services over time or at a point in time. For these contracts, revenue are generally recognise over time by reference to the Group's progress towards completing the services. The measurement of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. The customer is invoiced when the milestone of the contract is reached, If the value of the goods transferred by the Group exceed the payments, a contract assets is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be reliably measured.

The accounting for revenue recognition before 1 January 2018 are as follows:

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(vii) Water supply income

Water supply income is recognised based on water supplied during the financial year.

2. Summary of significant accounting policies (Cont'd)

2.6 Revenue recognition (Cont'd)

The accounting for revenue recognition before 1 January 2018 are as follows: (Cont'd)

(viii) Construction of water pipeline

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to 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 is expected to be recoverable.

(ix) Land development construction contracts

Revenue from construction and upgrade services is recognised under the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for each contract. When the outcome of a construction and upgrade services cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

(x) Revenue on sale of development properties held for sale

Revenue is recognised upon the transfer of control and significant risks and rewards of ownership of the property to the buyers. This generally coincides with the time when the development properties are completed and delivered to the buyers. No revenue is recognised when there is significant uncertainty as to the collectability of consideration due or the possible return of units sold.

(xi) Revenue from real estate management

Revenue from real estate management is recognised when the services are rendered.

(xii) Interest income

Interest income is recognised using the effective interest method.

(xiii) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(xiv) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies (Cont'd)

2.7 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2. Summary of significant accounting policies (Cont'd)

2.8 Leases

(i) Where the Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 34). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(ii) Where the Group is the lessor

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term (Note 15). The respective leased assets are included in the statement of financial position based on their nature.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.9 Development properties

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost and estimated net realisable value. Net realisable value of development properties is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

2.10 Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. Summary of significant accounting policies (Cont'd)

2.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value, less cash subject to restriction. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.12 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Refer to Note 2.17 to the financial statement for the classification, recognition and measurement of financial asset and Note 22 to the financial statement for Group's impairment policies.

2.13 Inventories

Inventories comprise of raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is determined by reference to the underlying specific contracts in progress in which the inventories will ultimately be used.

2.14 Construction contracts

The accounting policy for construction contract before 1 January 2018

A construction contract is defined by IAS 11, 'Construction contracts', as a contract specifically negotiated for the construction of an asset.

On the statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings, the balance is presented as "Gross amount due from customers for construction contracts"; a contract represents a liability where the opposite is the case, the balance is presented as "Gross amount due to customers for construction contracts".

The Group uses the "percentage-of-completion method", to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

When the outcome of a construction contract can be estimated reliably, and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion.

Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2. Summary of significant accounting policies (Cont'd)

2.14 Construction contracts (Cont'd)

The accounting policy for construction contract before 1 January 2018 (Cont'd)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

2.15 Other current assets

Other current assets, comprise costs incurred in fulfilling a contract with a customer, are recognise only if (a) these costs relate directly to a contract or to an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and (c) the costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

The assets recognised are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of these other current assets exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

2.16 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs of disposal, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

2. Summary of significant accounting policies (Cont'd)

2.16 Non-current assets (or disposal groups) held for sale and discontinued operations (Cont'd)

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

2.17 Financial assets

The accounting policy for financial assets from 1 January 2018 are as follows:

(a) Classification

The Group classifies its financial assets as those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model from managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

At subsequent measurement

Subsequent measurement for debt instruments classified as amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gain/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

2. Summary of significant accounting policies (Cont'd)

2.17 Financial assets (Cont'd)

The accounting policy for financial assets from 1 January 2018 are as follows:(Cont'd)

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets classified as amortised cost, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other financial assets classified at amortised cost, the Group applies general approach. Refer to Notes 3(b) and 22 to the financial statements respectively for further disclosure on the impairment policy.

The accounting policy for financial assets before 1 January 2018 are as follows:

(e) Classification

The Group classifies its financial assets as loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(f) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(g) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest on loans and receivables calculated using the effective interest method is recognised in the statement of comprehensive income as part of revenue from continuing operations.

2. Summary of significant accounting policies (Cont'd)

2.17 Financial assets (Cont'd)

The accounting policy for financial assets before 1 January 2018 are as follows: (Cont'd)

(h) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a 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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

Impairment testing of trade receivables is described in Notes 3(b) and 22(a) to the financial statements.

2.18 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.19 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

2. Summary of significant accounting policies (Cont'd)

2.19 Property, plant and equipment (Cont'd)

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

Freehold land is not depreciated. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

	Useful lives
Leasehold land and buildings	20 years
Water plant and its ancillary facilities	20 years
Plant and machinery	10 years
Office equipment	5 years
Renovation	3 years
Motor vehicles	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Construction in progress represents water plant and its ancillary facilities and building under renovation and convention centre under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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

2.20 Investment properties

Investment properties, principally leasehold office buildings, are held for long-term rentals yields and/or for capital appreciation. They are carried at fair value. Changes in fair values are presented in statement of comprehensive income as part of "Other (losses)/gains – net".

Investment properties are initially recognised at cost including all direct costs attributable to the property and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2. Summary of significant accounting policies (Cont'd)

2.21 Intangible assets

(a) Goodwill

The excess of (i) the sum of the consideration transferred, amount of any non-controlling interest in the acquired entity, and the acquisition-date fair value of any previous equity interest in the acquired entity over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in statement of comprehensive income as a gain from bargain purchase.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Computer software

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. Summary of significant accounting policies (Cont'd)

2.22 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of comprehensive income as other income or finance expenses.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in statement of comprehensive income, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

2.24 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2. Summary of significant accounting policies (Cont'd)

2.25 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.26 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Pension obligations

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group is required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by the PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Contributions to Mandatory Provident Fund, a defined contribution retirement scheme, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as expenses in statement of comprehensive income as and when incurred.

The Group has no further payment obligations once the contributions have been paid. Pension contributions are recognised as employee benefit expense in the period in which the related services are performed. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. Summary of significant accounting policies (Cont'd)

2.26 Employee benefits (Cont'd)

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the CIHL Share Option Scheme (the "2010 Scheme").

The fair value of options granted under the 2010 Scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

(a) including any market performance conditions (eg the entity's share price);

(b) excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(c) including the impact of any non-vesting conditions (eg the requirement for employees to save).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(v) Performance shares

Benefits to employees including the directors are provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or rights granted, excluding the impact of any non-market vesting conditions. These are fair valued based on the market price of entity's share on grant date. This fair value is charged to profit or loss over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vested, with the corresponding adjustment made in equity.

Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

2. Summary of significant accounting policies (Cont'd)

2.27 Government grant

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants received are recognised as income over the periods necessary to match them with the related costs which they intended to compensate on a systematic basis. Government grants relating to expenses are shown separately as other income.

2.28 Share capital and treasury shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

Shares held by the Company's Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

2.29 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes the detailed policies such as risk identification, measurement and exposure limits.

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in PRC. The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are principally denominated in the Hong Kong dollar ("HKD"), United States dollar ("USD") and Singapore dollar ("SGD"). The Group does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will closely monitor its foreign currency exposure and consider hedging significant foreign currency exposure should the need arise.

At 31 December 2018, if the HKD had weakened/strengthened by 4% (2017: 6%) against the RMB with all other variables held constant, the recalculated post-tax profit for the financial year would have been RMB54,000 (2017: RMB66,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash and bank balances and accruals.

At 31 December 2018, if the SGD had weakened/strengthened by 2% (2017: 2%) against the RMB with all other variables held constant, the recalculated post-tax profit for the financial year would have been RMB20,000 (2017: RMB20,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of SGD-denominated cash and bank balances and accruals.

At 31 December 2018, if the USD had weakened/strengthened by 1% (2017: 2%) against the RMB with all other variables held constant, the foreign exchange losses/gains on translation of USD-denominated financial assets are not expected to have any significant impact to post-tax profit for the year.

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risks arises primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

3. Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(ii) Cash flow and fair value interest rate risks (Cont'd)

The table below sets out the carrying amounts as at 31 December, by maturity or re-pricing, whichever is earlier, of the financial instruments of the Group that are exposed to interest rate risk:

	Less than 1 year RMB'000	Total RMB'000
2018		
Financial assets		
Fixed rate		
Restricted bank balances and short-term bank deposits	2,245	2,245
Floating rate		
Cash at bank	61,993	61,993
Financial liabilities		
Fixed rate		
Borrowings	28,000	28,000
2017		
Financial assets		
Fixed rate		
Restricted bank balances and short-term bank deposits	2,207	2,207
Floating rate		
Cash at bank	54,819	54,819
Financial liabilities		
Fixed rate		
Borrowings	90,848	90,848

The Group is not exposed to changes in interest rates for fixed rate financial assets and financial liabilities, and the impact of the exposure to interest rate risk from financial assets at variable rate is not significant.

The Company does not have exposure to interest rate risk as it does not hold variable financial assets and liabilities.

3. Financial risk management (Cont'd)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Refer to Note 22 to the financial statements for the details of Group's exposure to credit risk in relation to trade and other receivables. Cash and cash equivalent are subject to immaterial credit loss.

Previous accounting policy for credit risk:

(i) Cash and cash equivalents

Bank deposits are placed with banks with high credit-ratings.

(ii) Due from non-controlling shareholders of subsidiaries and associates

When loans are granted to related parties, advance assessment is being made by the management on the recoverability of the loans, and whenever possible, security is required.

(iii) Trade receivables and contract assets

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management. Note 22 to the financial statements provides further disclosure on credit risk.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient funds to enable the Group and the Company to meet contractual and financial obligations and the availability of funding through credit facilities. At the end of the reporting period, assets held by the Group and the Company for maintaining liquidity risk included cash and cash equivalents as disclosed in Note 24 to the financial statements.

To manage liquidity risk, the Group and the Company monitors its net operating cash flow and maintains a level of cash and cash equivalents, deemed adequate by management for working capital purposes so as to mitigate the effectiveness of cash flows.

3. Financial risk management (Cont'd)

(c) Liquidity risk (Cont'd)

The table below analyses the non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Total RMB'000
Group			
2018			
Trade and other payables	77,128	–	77,128
Borrowings	28,000	–	28,000
	105,128	–	105,128
2017			
Trade and other payables	116,103	–	116,103
Borrowings	90,848	–	90,848
	206,951	–	206,951
Company			
2018			
Other payables	142,387	–	142,387
2017			
Other payables	146,932	–	146,932

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. 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 shareholders, issue new shares, repurchase shares, raise new debts, redeem existing debts or sell assets to reduce debts.

3. Financial risk management (Cont'd)

(d) Capital risk (Cont'd)

Management monitors capital based on the return on shareholders' fund. The return on shareholders' fund was 2.29% (2017: 6.5%) for the current financial year ended 31 December 2018. The return on shareholders' fund is calculated as net profit attributable to owners of the parent divided by shareholders' equity.

According to the Rule 723 of the Listing Manual of the SGX-ST, at least 10% of the Company's shares should be held in the hands of the public.

Apart from the above, the Group and the Company are not subject to any other externally imposed capital requirements.

(e) Fair value estimation

The fair value measurement hierarchy have been defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

See Note 15 to the financial statements for disclosure of the investment properties that are measured at fair value. The fair values of current financial assets and liabilities carried at amortised cost approximates their carrying amounts.

(f) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3. Financial risk management (Cont'd)

(f) Offsetting financial assets and financial liabilities (Cont'd)

The following table presents the recognised financial instruments that are offset in the Company's statement of financial position as at 31 December 2018 and 31 December 2017 respectively.

	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts of recognised financial liabilities/ (assets) set off in the statement of financial position	Net amounts of financial assets/ (liabilities) presented in the statement of financial position
	RMB'000	RMB'000	RMB'000
Company			
As at 31 December 2018			
Due from subsidiaries	899,262	(446,907)	452,355
Due to subsidiaries	(585,000)	446,907	(138,093)
As at 31 December 2017			
Due from subsidiaries	897,532	(436,789)	460,743
Due to subsidiaries	(579,362)	436,789	(142,573)

(g) Financial instruments by category

The aggregate carrying amounts of the different categories of financial instruments are as follows:

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Assets as per Statement of Financial Position				
Trade and other receivables[1]	214,842	345,514	452,413	460,797
Cash and cash equivalents	64,266	57,063	1	1
Financial assets, at amortised cost	279,108	402,577	452,414	460,798
Liabilities as per Statement of Financial Position				
Borrowings	28,000	90,848	–	–
Trade and other payables excluding non-financial liabilities[2]	77,128	116,103	142,387	146,932
Financial liabilities, at amortised cost	105,128	206,951	142,387	146,932

(1) Excluding prepayments and advances
(2) Excluding receipts in advance (2017: receipts in advance and gross amount due to customers for construction contracts)

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.

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 addressed below.

(a) Impairment of trade receivables and contract assets

As at 31 December 2018, the Group's trade receivables and contract assets amounted to RMB13,088,000 (2017: RMB13,880,000) and RMB15,367,000 (2017: Nil) respectively.

The Group measured the loss allowance of trade receivables and contract assets at an amount equal to lifetime expected credit losses ("ECL") using a provision matrix. A considerable amount of judgement is required in assessing the ECL which are determined by referencing to the Group's historical observed default rates, customers' ability to pay and adjusted with forward-looking information. At every reporting date the historical observed default rates will be updated and changes in the forward looking estimates will be analysed.

The loss allowance recognised for trade receivables and contract assets as at 31 December 2018 was approximately RMB2,142,000 (2017: RMB2,142,000). Details of the loss allowance on trade receivables and contract assets are disclosed in Note 22 to the financial statements.

(b) Estimated impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of goodwill and where applicable, cash-generating units ("CGUs"), have been based on fair value less costs of disposal calculations. These calculations require the use of estimates (Note 16).

The sensitivity analysis on the key assumptions applied in the calculations are disclosed in Note 16 to the financial statements.

(c) Construction of water pipeline

The Group has adopted IFRS 15 effective for the financial year beginning on or after 1 January 2018 by adjusting the cumulative effect of initially applying this standard to the retained earnings as at 1 January 2018.

Prior to 1 January 2018, the Group recognised revenue from construction of water pipeline in accordance with IAS 11. Revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable or based on percentage-of-completion method. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

4. Critical accounting estimates and judgements (Cont'd)

(c) Construction of water pipeline (Cont'd)

For the financial year ended 31 December 2018, the Group has assessed the implication of the adoption of IFRS 15 and recognised revenue from construction of water pipeline at a point in time when the performance obligation is satisfied, being when the promised services have been handed over to the customer. The details of the transition to IFRS 15 and accounting policy of revenue recognition on construction of water pipeline are set out in Notes 2.1(iii) and 2.6(ii) to the financial statements, respectively.

5. Revenue

	Group	
	2018	**2017[1]**
	RMB'000	**RMB'000**
Revenue from:		
- supply of gray water	34,911	34,985
- construction of water pipeline	54,770	55,841
	89,681	90,826

All stream of revenue are recognised at a point in time.

(1) The Group has adopted IFRS 15 using cumulative effect method. Under this method, the comparative information is not restated. Refer to Note 2.1(iii) to the financial statements for the impact of transition of IFRS 15 and the impact of adopting IFRS 15.

6. (a) Other income - net

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Interest income from:		
- Financial assets measured at amortised cost		
- banks	393	554
- loans to associates	6,320	12,376
Rental income from investment properties (Note 15)	1,230	1,072
Other	(29)	–
	7,914	14,002

6. (b) Other (losses)/gains - net

	Group	
	2018	2017
	RMB'000	RMB'000
Currency translation losses, net	(162)	(262)
Fair value gain on investment properties (Note 15)	–	2,700
Gain on disposals of property, plant and equipment	15	80
Gain on disposal of subsidiaries (Note 24)	–	6,415
Waiver of payable	–	11,000
Others	–	200
	(147)	20,133

7. Finance expenses

	Group	
	2018	2017
	RMB'000	RMB'000
Interest expense on:		
- Collaterised borrowings from a non-related party	724	4,298
- Short term borrowings from non-related parties	–	6,807
- Short-term borrowing from a related party (Note 30(a))	1,667	3,568
	2,391	14,673
Amount capitalised in development properties[1]	–	(5,955)
	2,391	8,718

(1) During the financial period from 1 January 2017 to 31 May 2017, the Group had capitalised the related interest expense of RMB5,955,000 as cost of development properties, which form part of the disposal group as at 31 May 2017 (Note 24(i)).

8. Employee benefit expense

	Group	
	2018	2017
	RMB'000	RMB'000
Salaries, allowances and bonuses	13,181	12,159
Pension costs of defined contribution plans	4,053	3,306
Other staff welfare	–	7
	17,234	15,472

8. Employee benefit expense (Cont'd)

For the financial year ended 31 December 2017, employee benefit expense of RMB1,284,000 was capitalised as cost of development properties. Following the completion of disposal of KYWJ Group on 1 June 2017, development properties relates to KYWJ Group has been deconsolidated.

9. Profit before income tax

The Group's profit before income tax is arrived at after charging the following:

	Group	
	2018	2017[1]
	RMB'000	RMB'000
Included in cost of sales and services provided:		
Cost of inventories consumed	12,539	12,429
Depreciation of property, plant and equipment	7,362	6,556
Employee benefit expense	3,264	2,086
Utility costs	3,004	2,695
Water pipeline installation and construction costs	12,164	13,102
Included in administrative and other operating expenses:		
Fees on audit services paid/payable to:		
- auditor of the Company	884	979
- other auditors	102	63
Fees on non-audit services paid/payable to:*		
- other auditors	123	7
Depreciation of property, plant and equipment	3,538	1,631
Employee benefit expense	13,970	12,102
Legal and professional fees	4,426	2,120
Operating lease rental payments	473	477
Travelling	1,359	1,348
Utilities	59	175

* *No non-audit services fees paid/payable to independent auditor of the Company during the current and prior financial years.*

(1) *The Group has adopted IFRS 15 using cumulative effect method. Under this method, the comparative information is not restated. Refer to Note 2.1(iii) to the financial statements for the impact of transition of IFRS 15 and the impact of adopting IFRS 15.*

10. Income tax expense/(credit)

Tax expense/(credit) attributable to profit/(loss) is made up of:

	Group	
	2018	**2017[1]**
	RMB'000	**RMB'000**
Profit for the financial year		
Current income tax – PRC enterprise income tax	14,855	9,745
Deferred income tax	(4,354)	2,184
	10,501	11,929
Under/(over) provision in prior financial years		
Current income tax – PRC enterprise income tax	1,053	(609)
Deferred income tax	(10,000)	–
	(8,947)	(609)
Dividends withholding tax	–	6,000
Total income tax expense	1,554	17,320
Income tax expense is attributable to:		
Profit from continuing operations	1,554	25,055
Loss from discontinuing operations	–	(7,735)
	1,554	17,320

Pursuant to relevant laws and regulations in PRC, subsidiaries in PRC are required to pay PRC enterprise income tax at a standard rate of 25% (2017: 25%).

No provision for income tax of Hong Kong entities since there is no assessable profit for the current and prior financial years.

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries, in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

10. Income tax expense/(credit) (Cont'd)

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the tax rate of the principal place of operation of the Group as follows:

	Group	
	2018	2017[1]
	RMB'000	RMB'000
Profit before income tax from		
- continuing operations	20,071	57,152
- discontinued operations	–	(4,841)
	20,071	52,311
Less: Share of losses/(profit) of associates net of tax	2,902	(6,436)
Profit before tax exclude share of losses/(profit) of associates	22,973	45,875
Tax calculated at PRC income tax rate of 25% (2017: 25%)	5,743	11,469
Tax effects of:		
- Income not subject to tax	(200)	(6,682)
- Expenses not deductible for tax purposes	2,994	7,213
- Over provision of tax in prior years	(8,947)	(609)
- Utilisation of tax losses previously not recognised	1,964	–
- Other	–	(70)
Income tax expense	1,554	11,320

(1) The Group has adopted IFRS 15 using cumulative effect method. Under this method, the comparative information is not restated. Refer to Note 2.1(iii) to the financial statements for the impact of transition of IFRS 15 and the impact of adopting IFRS 15.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately RMB12,363,000 (2017: RMB20,220,000) at the end of the reporting period which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses can be carried forward up to a period of 5 years.

On 1 June 2017, the unrecognised tax lossess from financial year ended 31 December 2016 of approximately RMB43,712,000 contributed by KYWJ Group have been excluded.

11. Discontinued operations

On 8 May 2017, the Company had announced that CIHL (Tianjin) City Development Limited, a wholly owned subsidiary of the Company, had on 7 May 2017 enter into a conditional sale and purchase agreement with Beijing Hongkunweiye Property Development Co. Ltd ("Purchaser") in relation to the disposal of its 5% equity and debt interests in its subsidiary, Beijing Kaiyuan Wanjia Management Consulting Company Limited and its subsidiaries ("KYWJ Group") to the Purchaser.

11. Discontinued operations (Cont'd)

On 1 June 2017, the Group completed the disposal of its 5% equity (out of its 55% equity) and debt interests in the KYWJ Group. Following the disposal, the Group deconsolidated KYWJ Group as it assessed that it no longer had control over these subsidiaries and classified KYWJ Group as associated companies of the Group.

The assets and liabilities related to KYWJ Group were disposed of for a cash consideration of RMB27,000,000 (See Note 24(i)). The entire results from KYWJ Group are presented separately on the Statement of Comprehensive Income as "Discontinued Operations".

The result and cash flow information presented are for the 5 months ended 31 May 2017 (2017 column).

(a) The results of discontinued operations of the disposal group are as follows:

	Group 2017 RMB'000
Revenue	391,793
Cost of sales and services provided[1]	(391,028)
Other income - net	1,737
Other operating expenses	(4,003)
Selling and marketing expenses	(3,340)
Loss before income tax	(4,841)
Income tax credit	7,735
Profit after income tax of discontinued operation	2,894

(1) During the financial period from 1 January 2017 to 31 May 2017, the Group had reversed RMB67,034,000 of development properties write down in prior financial years. The Group has sold the properties that were written down to individual buyers in China above the carrying value. Accordingly, the amount reversed has been included in "cost of sales and services provided". This was included within the result of the discontinued operations.

(b) The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group 2017 RMB'000
Net cash inflow from operating activities	(6,518)
Net cash outflow from investing activities	(6,721)
Net cash inflow from financing activities	12,500
Net decrease in cash used in the subsidiary	(739)

12. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted

Diluted earnings per share is calculated by dividing the earnings attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding and to assume the deemed exercise of the share options outstanding during the financial year have been issued at no consideration.

The share options of 2,300,000 (2017: 2,700,000) are anti-dilutive as the exercise price of the share options was higher than the average market price of the Company's ordinary shares during the financial years ended 31 December 2018 and 31 December 2017.

The calculation of basic and diluted earnings per share is as follows:

	2018	2017
Profit attributable to equity holders of the Company (RMB'000)		
- continuing operations	7,162	18,210
- discontinued operations	–	1,592
	7,162	19,802
Weighted average number of ordinary shares in issue ('000)	71,233	61,533
Basic and diluted earnings per share (RMB (Fen))		
- continuing operations	10.05	29.59
- discontinued operations	–	2.59
	10.05	32.18

13. Property, plant and equipment

	Leasehold land and buildings RMB'000	Water plant and its ancillary facilities RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Renovation RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Group								
2018								
Cost								
Beginning of financial year	24,849	131,680	233	1,672	–	4,747	31,575	194,756
Transfer	16,448	3,055	–	–	–	–	(19,503)	–
Additions	–	–	–	135	4,627	161	34,672	39,595
Disposals	–	–	–	–	–	(260)	–	(260)
End of financial year	41,297	134,735	233	1,807	4,627	4,648	46,744	234,091
Accumulated depreciation and impairment losses								
Beginning of financial year	10,067	34,539	202	1,490	–	4,581	–	50,879
Depreciation charge	2,134	7,342	20	107	1,414	283	–	11,300
Adjustment	–	–	–	–	–	(400)	–	(400)
Disposals	–	–	–	–	–	(260)	–	(260)
End of financial year	12,201	41,881	222	1,597	1,414	4,204	–	61,519
Net book value								
End of financial year	29,096	92,854	11	210	3,213	444	46,744	172,572

13. Property, plant and equipment (Cont'd)

	Leasehold land and buildings RMB'000	Water plant and its ancillary facilities RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Group							
2017							
Cost							
Beginning of financial year	32,663	111,407	233	2,756	10,681	165,889	323,629
Transfer	–	18,453	–	–	–	(18,453)	–
Additions	–	1,820	–	47	–	50,845	52,712
Disposals	–	–	–	–	(1,167)	–	(1,167)
Disposals of subsidiaries (Note 24(i)	(7,814)	–	–	(1,131)	(4,767)	(166,706)	(180,418)
End of financial year	24,849	131,680	233	1,672	4,747	31,575	194,756
Accumulated depreciation and impairment losses							
Beginning of financial year	10,033	28,002	177	2,193	9,032	17,889	67,326
Depreciation charge	1,481	6,537	25	196	619	–	8,858
Disposals	–	–	–	–	(1,167)	–	(1,167)
Disposals of subsidiaries (Note 24(i))	(1,447)	–	–	(899)	(3,903)	(17,889)	(24,138)
End of financial year	10,067	34,539	202	1,490	4,581	–	50,879
Net book value							
End of financial year	14,782	97,141	31	182	166	31,575	143,877

13. Property, plant and equipment (Cont'd)

(i) For the financial year ended 31 December 2017, included in the depreciation charges of RMB8,858,000, an amount of RMB300,000 was capitalised as cost of development properties. Following the completion of disposal of KYWJ Group on 1 June 2017, development properties relates to KYWJ Group has been deconsolidated.

(ii) The Group's leasehold land and buildings are located in PRC.

(iii) In March 2006, CIHL (Tianjin) Water Development Company Limited ("Water Development") obtained approval from the local government agency, to authorise the use of the parcel of land directly associated with water plant and its ancillary facilities for the purpose of supplying gray water for a period of 50 years. As at 31 December 2018, the legal title for the use of the above-mentioned parcel of land has not transferred to Water Development. Notwithstanding the fact that the Group has not obtained the relevant legal title of the land use rights, management considers that the Group obtained the right to use through contractual arrangement with the local government agency.

(iv) Construction in progress

Construction in progress as at 31 December 2018 represents the ongoing construction of the water plant and its ancillary facilities which include the second water plant – Xinhe Water Recycling Plant by Water Development, while construction in progress as at 31 December 2017 represents the ongoing construction of Xinhe Water Recycling Plant and water plant and its ancillary facilities by Water Development and its office under renovation.

(v) For the financial year ended 31 December 2017, collaterised borrowing is secured on the Group's land and buildings and ancillary facilities of the water supply services with carrying amounts of RMB12,730,000 and RMB38,373,000 respectively. Following the repayment of collaterised borrowing during the financial year ended 31 December 2018, there is no property, plant and equipment is being pledged as security (Note 25(a)).

14. Intangible assets – computer software

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Cost and net of book value		
Beginning of financial year	122	122
Additions	121	–
End of financial year	243	122

Intangible assets of the Group represents computer software.

15. Investment properties

	Group	
	2018	2017
	RMB'000	RMB'000
Beginning of financial year	34,800	32,100
Fair value gain recognised in profit or loss (Note 6(b))	–	2,700
End of financial year	34,800	34,800

The Group's investment properties are located in Beijing, PRC and are held as office building to generate rental income.

Investment properties are leased to a non-related party under operating leases (Note 34(b)).

For the financial year ended 31 December 2017, investment properties are mortgaged to secure collaterised borrowing. Following the repayment of collaterised borrowing during the financial year ended 31 December 2018, investment properties are not being pledged as security (Note 25(a)).

Amounts are recognised in profit or loss for investment properties:

	Group	
	2018	2017
	RMB'000	RMB'000
Rental income (Note 6(a))	1,230	1,072
Direct operating expenses (including repairs and maintenance)	367	370

As at reporting date, the details of the Group's investment properties are as follows:

Location	Description	Existing use	Tenure	Unexpired term of lease
Webok-times Center, No.17 Zhongguancun South Main Street, Haidian District, Beijing, PRC	5 office units at level 21 of a 23-storey office building	Office	Leasehold	53 years

15. Investment properties (Cont'd)

Fair value hierarchy

	Fair value measurement using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	RMB'000	RMB'000
Recurring fair value measurements			
Investment properties:			
31 December 2018			
- Office buildings - PRC	–	34,800	–
31 December 2017			
- Office buildings - PRC	–	34,800	–

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the Group's properties have been generally derived using the market value approach, by making reference to sales evidence as available in the market. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is the selling price per square metre.

Investment properties are carried at fair value which has been determined based on valuations performed at the end of the reporting period. The valuations are based on the properties' highest-and-best-use, performed by Ravia Global Appraisal Advisory Limited, an independent valuer with a recognised and relevant professional qualification. They have recent experience in the location and category of the properties being valued.

There were no changes in valuation technique and transfers into and out of fair value hierarchy levels during the financial year ended 31 December 2018 and 2017 respectively.

16. Goodwill arising on consolidation

	Group	
	2018	2017
	RMB'000	RMB'000
Cost and carrying amount		
Beginning and end of financial year	20,303	20,303

Goodwill arising from business combination is allocated to water supply service cash-generating unit ("CGU") comprising CIHL (Tianjin) Water Development Co., Limited ("Water Development") in PRC at acquisition. This CGU is expected to benefit from that business combination.

16. Goodwill arising on consolidation (Cont'd)

The recoverable amount of the CGU was determined based on fair value less costs of disposal calculations. The fair value is within level 3 of the fair value hierarchy.

Key assumptions used for fair value less costs of disposal

	Group	
	2018	**2017**
	%	**%**
Gross margin[1]	36-64	34-64
Revenue growth rate[2]		
- Water supply income	15	15
Discount rate[3]	17	17

(1) Budgeted gross margin
(2) Revenue growth rate used for extrapolation of future revenue
(3) Pre-tax discount rate applied to the pre-tax cash flows projections

In assessing whether an impairment is required, the carrying amount of the CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less cost of disposal and value in use. Given the nature of the CGU's activities, information on the fair value of the CGU is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the fair value less costs of disposal is determined based on the net present value of the future estimated cash flows expected to be generated from the continued use of the CGU (based on the most recent plans), including any expansion projects, and its eventual disposal, using assumptions a market participant may take into account. These cash flows were discounted using a pre-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

The key assumptions for the fair value less costs of disposal calculations are those regarding the discount rate, growth rate, budgeted gross margin and revenue during the period. The management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate is based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and revenue are based on past performance and expectations on market development.

The management prepares cash flow forecasts derived from the most recent financial budgets approved by the management covering a ten-year period with a growth rate of 15% (2017: 15%). Discount rate of approximately 17% (2017: 17%) was used for the cash flow forecasts as at 31 December 2018.

Management is of the opinion that a ten-year period is appropriate as the rights to use the parcel of land associated with water plant and its ancillary facilities for supplying of gray water are more than ten years and the nature of the business of this CGU is considered fairly stable.

If the estimated growth rate used in the fair value less cost of disposal calculation for this CGU had declined by 11.8% (2017: 6.30%), estimated pre-tax discount rate applied to the discounted cash flows for this CGU had raised by 10.85% (2017: 8.14%), the recoverable amount of the CGU would equal to the carrying amount.

17. Investments in subsidiaries

	Company	
	2018	2017
	RMB'000	RMB'000
Unlisted investments, at cost		
Beginning and end of financial year	240,011	240,011
Less: Impairment losses	(44,011)	(44,011)
	196,000	196,000

Movement in allowance for impairment of investment in subsidiaries:

	Company	
	2018	2017
	RMB'000	RMB'000
Beginning and end of financial year	44,011	44,011

An allowance for impairment loss was made in respect of the Company's investment in certain loss making subsidiaries to the recoverable amounts, taking into consideration the financial conditions of the subsidiaries.

17. Investments in subsidiaries (Cont'd)

The Group's principal subsidiaries as at 31 December 2018 and 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

	Name of companies	Principal activities	Place of business/ incorporation	Issued and paid-up capital	Ownership interest held by parent*		Ownership interest held by the Group		Ownership interest held by non-controlling interests	
					2018	2017	2018	2017	2018	2017
					%	%	%	%	%	%
Held by the Company										
(a)(b)	Tianjin Bridges Investments Limited ("TBIL")	Investment holding	Samoa	US$28,915,663	100	100	100	100	–	–
(a)(c)	China Infrastructure Management (Hong Kong) Limited ("CIMHK")	Provision of management services to the Group	Hong Kong	HK$10,000	100	100	100	100	–	–
(a)(b)	China (Tianjin) Water Resources Limited ("CTWRL")	Investment holding	Samoa	US$1	100	100	100	100	–	–
(a)(b)	CIHL Development Limited ("CHIL Dev")	Investment holding	Samoa	US$1	100	100	100	100	–	–
Held by TBIL										
(a)(d)	CIH Haimen (Tianjin) Enterprise Limited ("Haimen")	Dormant	PRC	RMB48,000,000	–	–	75	75	25	25

17. Investment in subsidiaries (Cont'd)

	Name of companies	Principal activities	Place of business/ incorporation	Issued and paid-up capital	Ownership interest held by parent* 2018	Ownership interest held by parent* 2017	Ownership interest held by the Group 2018	Ownership interest held by the Group 2017	Ownership interest held by non-controlling interests 2018	Ownership interest held by non-controlling interests 2017
					%	%	%	%	%	%
Held by CTWRL										
(a)(e)	CIHL (Tianjin) Water Development Co., Ltd. ("Water Development")	Construction of water pipeline and supply of gray water	PRC	RMB60,000,000	–	–	60	60	40	40
Held by Water Development										
(a)(b)	Tianjin Lingang Water Co., LTD	Construction of water pipeline and supply of gray water	PRC	RMB20,000,000	–	–	33	33	67	67
Held by CHIL Dev										
(a)(f)	CIHL (Tianjin) City Development Limited ("XZCID")	Investment holding and property investment	PRC	RMB50,000,000	–	–	100	100	–	–
Held by XZCID										
(a)(g)(i)	Beijing Kaiyuanwanjia Management Consulting Limited ("KYWJ")	Investment holding	PRC	RMB4,444,445	–	–	–	–[1]	–	–[1]
(a)(b)	Pinnacle China Ltd ("PCL")	Investment holding	British Virgin Islands	US$1	–	–	100	100	–	–

17. Investment in subsidiaries (Cont'd)

	Name of companies	Principal activities	Place of business/ incorporation	Issued and paid-up capital	Ownership interest held by parent*		Ownership interest held by the Group		Ownership interest held by non-controlling interests	
					2018	2017	2018	2017	2018	2017
					%	%	%	%	%	%
Held by XZCID (cont'd)										
(a)(h)	Beijing Shiji Longquan Enterprise Co., Limited ("SJLQ")	Provision of engineering and land leveling service for preliminary land development projects	PRC	RMB10,000,000	–	–	100	100	–	–
Held by KYWJ										
(a)(g)(i)	Yichang Xinshougang Property Development Company Limited ("XSG")	Property development and asset management	PRC	RMB120,000,000	–	–	–	–[1]	–	–[1]
Held by XSG										
(b)(i)	Yichang Zhong Xiang Property Management Company Limited ("ZX")	Real estate management	PRC	RMB500,000	–	–	–	–[1]	–	–[1]
(b)(i)	Yichang Jiaye Hotel Management Co., Limited	Dormant	PRC	RMB1,000,000	–	–	–	–[1]	–	–[1]
(b)(i)	Yichang Xiecheng Exhibition Services Co., Limited	Dormant	PRC	RMB1,000,000	–	–	–	–[1]	–	–[1]

(1) On 1 June 2017, the Group completed the disposal of its 5% equity (out of its 55% equity) and debt interests in KYWJ Group which resulted in a loss of control of these subsidiaries. In consequence of the loss of control but remain a significant influence, the Group has to deconsolidate these subsidiaries and accounted 50% interest retained in the KYWJ Group as associates using equity method (Note 18).

* *Parent is referring to the Company*

17. Investments in subsidiaries (Cont'd)

(a) Audited/reviewed by Shanghai Nexia TS Certified Public Accountants, PRC, for consolidation purposes.

(b) Not required to be audited under the laws of country of incorporation.

(c) Not required to be audited under the laws of country of incorporation. However, the Group has appointed Andrew K.C. Lai & Company, Hong Kong as auditor of CIMHK.

(d) Audited by CACCPA Limited Liability Partnership, PRC.

(e) Audited by BDO Zhonglian Mindu Shu Lun Pan Certified Public Accountants Co., Ltd., PRC.

(f) Audited by Beijing Zhong Sheng Jia Hua Certified Public Accountants Co., Ltd., PRC. XZCID operates a branch office 天津新中城市實業發展有限公司北京工程管理分公司 ("XZCID Beijing Branch") with statutory registration in Beijing, PRC.

(g) Audited by BDO China Shu Lun Pan CPAs LLP, PRC.

(h) Audited by Zhong Rui Certified Public Accountant Co., Ltd., PRC.

(i) Disposed in the financial year ended 31 December 2017

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited - Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and associates would not compromise the standard and effectiveness of the audit of the consolidated financial statements.

Carrying amount of non-controlling interests

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Water Development and its subsidiaries ("Water Development Group")	85,733	75,226
Other subsidiaries with non-controlling interests	17,101	17,405
	102,834	92,631

Summarised financial information of subsidiaries with material non-controlling interests

Set out below is the summarised financial information for each subsidiary that has non-controlling interests ("NCI") that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

There were no transactions with non-controlling interests for the financial years ended 31 December 2018 and 2017.

17. Investments in subsidiaries (Cont'd)

Summarised statement of financial position

	Water Development 2018 RMB'000	Water Development 2017 RMB'000
As at 31 December		
Current		
Assets	161,951	198,335
Liabilities	(105,745)	(151,110)
Total current net assets	56,206	47,225
Non-current		
Assets	171,056	137,473
Liabilities	(16,300)	–
Total non-current net assets	154,756	137,473
Net assets	210,962	184,698
Accumulated NCI	85,733[2]	75,226[1]

(1) Included in the movement of the accumulated NCI of Water Development for the financial year ended 31 December 2017, comprised of the capital contribution by NCI for the incorporation of subsidiary.

(2) Included in the movement of the accumulated NCI of Water Development for the financial year ended 31 December 2018, comprised of the cumulative effect of RMB1,152,000 made to the consolidated statement of Financial Position as at 1 January 2018 for the adoption of IFRS 15 (Note 2.1(iii)).

	Water Development 2018 RMB'000	Water Development 2017 RMB'000
Revenue	89,681	90,826
Profit before income tax	39,951	46,950
Income tax expense	(10,807)	(11,405)
Profit for the financial year	29,144	35,545
Profit for the financial year allocated to NCI	11,659	14,218
Dividends paid/payable to NCI	–	40,000

17. Investments in subsidiaries (Cont'd)

Summarised cash flows

	Water Development 2018 RMB'000	Water Development 2017 RMB'000
Cash flows from operating activities		
Cash generated from operations	34,593	65,873
PRC income tax paid	(3,539)	(15,196)
Net cash generated from operating activities	31,054	50,677
Net cash generated from investing activities	10,558	73,286
Net cash used in financing activities	(53,748)	(114,765)
Net (decrease)/increase in cash and cash equivalents	(12,136)	9,198
Cash and cash equivalents		
Beginning of financial year	50,202	41,004
End of financial year	38,066	50,202

18. Investments in associates

	Group			
	KYWJ Group RMB'000	Future Trillion Group RMB'000	Liuhe RMB'000	Total RMB'000
2018				
Investment at equity method				
Beginning of the financial year	102,371	24,617	44,281	171,269
Share of losses of associates	(2,902)	–	–	(2,902)
End of financial year	99,469	24,617	44,281	168,367
Impairment loss on investments in associates				
Beginning and end of the financial year	–	(24,617)	(44,281)	(68,898)
Net carrying amount				
End of financial year	99,469	–	–	99,469

18. Investments in associates (Cont'd)

	Group			
	KYWJ Group RMB'000	Future Trillion Group RMB'000	Liuhe RMB'000	Total RMB'000
2017				
Investment at equity method				
Beginning of the financial year	–	24,617	44,281	68,898
Addition[1]	95,935	–	–	95,935
Share of profit of associates	6,436	–	–	6,436
End of financial year	102,371	24,617	44,281	171,269
Impairment loss on investments in associates				
Beginning and end of the financial year	–	(24,617)	(44,281)	(68,898)
Net carrying amount				
End of financial year	102,371	–	–	102,371

(1) Addition during the financial year ended 31 December 2017 refer to the recognition of the equity interest of 50% retained by the Group as investment in associated companies upon loss of control of subsidiaries, Beijing Kaiyuan Wanjia Management Consulting Company Limited and its subsidiaries. (Note 11)

There are no contingent liabilities relating to the Group's interest in the associates.

18. Investments in associates (Cont'd)

(i) Investment in Future Trillion Group

Set out below are the associates of the Group as at 31 December 2018 and 2017. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Name of companies	Principal activities	Place of business/ country of incorporation	Issued and paid up capital	Equity holding 2018	Equity holding 2017
					%	%
(a)(b)	Future Trillion Holdings Limited ("FT")	Investment holding	British Virgin Islands	US$3,055	34.53	34.53
Held by FT						
(a)(c)	MKS Limited ("MKS")	Provision for oil and gas exploration	Independent State of Papua New Guinea	Kina7,257,000	28.35	28.35

(a) Reviewed by Nexia TS Public Accounting Corporation, Singapore, for consolidation purposes.

(b) Not required to be audited under the laws of country of incorporation.

(c) Audited by A & A Registered Public Accountant, Papua New Guinea.

18. Investments in associates (Cont'd)

(i) Investment in Future Trillion Group (Cont'd)

The tables below provide summarised financial information for Future Trillion Group. The information disclosed reflects the amounts presented in the financial statements of the associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised Statement of Financial Position

	2018 RMB'000	2017 RMB'000
As at 31 December		
Current		
Cash and cash equivalents	236	149
Other current assets	54	53
Total current assets	290	202
Total current liabilities	85,528	64,279
Non-current		
Assets	16	16
Net liabilities	(85,222)	(64,061)
Less: Non-controlling interests	13,802	13,470
Net liabilities	(71,420)	(50,591)
Reconciliation to carrying amounts		
Opening net liabilities at 1 January	(64,061)	(66,641)
Loss for the financial year	(16,149)	(3,121)
Other comprehensive (loss)/income	(5,012)	5,701
Closing net liabilities	(85,222)	(64,061)
Less: Non-controlling interests	13,802	13,470
Closing net liabilities	(71,420)	(50,591)
Group's share in %	34.53%	34.53%
Group's share	–	–
Goodwill	–	–
Impairment loss on investments in associates	–	–
Carrying amount	–	–

18 Investments in associates (Cont'd)

(i) Investment in Future Trillion Group (Cont'd)

Summarised statement of comprehensive income

	2018 RMB'000	2017 RMB'000
For the financial year ended 31 December		
Loss for the financial year	(16,149)	(3,121)
Other comprehensive (loss)/income	(5,012)	5,701
Total comprehensive (loss)/income	(21,161)	2,580
Loss for the financial year allocated to non-controlling interests	(186)	(559)
Share of loss of associate	–	–

Future Trillion Group obtained an exploration right license of an oil and gas exploration project in June 2008. The exploration right license was expired in June 2014 and the first extension license was granted on 22 December 2014 for a period of 5 years. Details of the exploration right license are as follows:

Name of license	Location	Area of license	Expiration date
Petroleum Prospecting License (License number: 294)	Independent State of Papua New Guinea	Approximately 2,600 km^2	March 2020

Future Trillion Group undertook several exploration tasks during the last financial year ended 31 December 2014. Based on integration of the new surface geology data, the re-processing and re-interpretation of seismic data, and the construction of 3D subsurface structure models, a re-evaluation of the entire license area provides a more prospective view for the license and a more confident interpretation model for Tumuli structure. As a result, the Tumuli structure is considered to be more reliable, the level of geological risk has been reduced and a number of new structures are identified for future exploration to increase the resources in the area covered by the license.

The project is still in exploration stage, the future prospect of the Group's investment in Future Trillion Group is largely dependent on the discovery of the existence of economic viable resources of the oil and gas exploration project. Further exploration will be needed to ensure the Tumuli structure contains economically viable resources by drilling and to improve the geological maturity of new identified structures by geological survey and seismic acquisition.

During the prior financial year, MKS expensed off approximately RMB104,970,000 of exploration and evaluation expenditure. The board of directors of MKS assessed that it is not commercially viable to continue exploration, after taking into consideration depressed oil and gas prices, the inability of MKS to obtain additional funds and the difficulty in meeting the conditions as set out in exploration license, which is expected to expire in 2020.

18 Investments in associates (Cont'd)

(i) Investment in Future Trillion Group (Cont'd)

As a result, the Group has shared the losses from Future Trillion Group of RMB31,263,000, made an impairment loss of RMB24,617,000 on the remaining carrying amount of Future Trillion Group, and made a loss allowance of the amount due from Future Trillion Group of RMB76,102,000 (Note 22(c)(iii)) in the prior financial year.

During the financial year ended 31 December 2018, management considered various estimates and assumptions include the financial health, cash flow projection and future prospects of the investment and in view that no change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. Therefore, no reversal of impairment loss required at the end of reporting period.

The Group has not recognised its share of losses from Future Trillion Group of RMB5,512,000 for the financial year ended 31 December 2018 as the Group's cumulative share of losses exceed its interest in that entity and the Group has no obligation in respect of those accumulated losses of RMB10,781,000 at the reporting date.

(ii) Investment in Liuhe

Set out below are the associate of the Group as at 31 December 2018 and 2017. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Name of Companies	Principal activities	Place of business/ country of incorporation	Issued and paid up capital	Equity holding 2018	Equity holding 2017
				RMB'000	%	%
(a)(b)	LiuHe County YuKun Mining Co. Ltd. ("Liuhe") ("柳河县钰坤矿业有限公司")	Gold exploration and production	PRC	83,356	20.054	20.054

(a) Reviewed by Shanghai Nexia TS Certified Public Accountants, PRC, for Group consolidation purposes.

(b) Not required to be audited under the laws of country of incorporation.

The associate, Liuhe, pledged its ordinary shares of RMB64,000,000 to a bank as security for bank borrowings since the financial year ended 31 December 2013.

18. Investments in associates (Cont'd)

(ii) Investment in Liuhe (Cont'd)

The tables below provide summarised financial information for Liuhe. The information disclosed reflects the amounts presented in the financial statements of the associate and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised statement of financial position

	2018 RMB'000	2017 RMB'000
As at 31 December		
Current		
Cash and cash equivalents	662	1,320
Other current assets (excluding cash)	5,666	16,129
Total current assets	6,328	17,449
Total current liabilities	167,513	162,414
Non-current		
Assets	307,407	294,976
Other liabilities	22,000	22,000
Net assets	124,222	128,011
Reconciliation to carrying amounts:		
Opening net assets at 1 January	128,011	132,586
Loss for the financial year	(3,789)	(4,575)
Closing net assets	124,222	128,011
Group's share in %	20.054%	20.054%
Group's share	–	–
Goodwill	–	–
Impairment loss on investment in associate	–	–
Carrying amount	–	–

18. Investments in associates (Cont'd)

(ii) Investment in Liuhe (Cont'd)

Summarised statement of comprehensive income

	2018 RMB'000	2017 RMB'000
For the financial year ended 31 December		
Revenue	–	–
Interest expense[1]	–	–
Loss for the financial year	(3,789)	(4,576)
Share of loss of associate	–	–

(1) Borrowing costs of RMB1,984,000 (2017: RMB1,807,000) was capitalised in property, plant and equipment for financial year ended 31 December 2018. Interest rate range from 12%-15% (2017: 12%-15%) were used, representing the borrowing costs of the loans used to finance the construction of property, plant and equipment.

Liuhe holds a mining right license and an exploration right license in the surrounding area associated with the exploration right expiring in June 2019. In the prior year, Liuhe completed several geological and technical studies to establish the existence of proved and probable mine reserve estimates of the surrounding area of the existing mining license, and has substantially completed construction of production facilities at the mining site, and commenced test run production since the end of financial year 31 December 2014. Details of the exploration and mining right licenses are as follows:

Name of license	Location	Mining capacity	Area of license	Expiration date
Exploration right license ("矿产资源勘查许可证") (License number: T22520140602049892)	PRC	N/A	1.96km^2	June 2019

In prior financial year, management assessed the recoverable of investment in Liuhe. In view of the weak commodity prices, additional funds required to continue with the actual production, the expected increase in mining costs and poor trial production results and based on a valuation conducted by an independent valuer, management is of the view that there will be insufficient cash flows over the life of the mining project to recover the Group's investment in Liuhe. Hence, an impairment loss of RMB44,281,000 was made for the carrying amount of the investment and made a loss allowance of the amount due from Liuhe of RMB9,968,000 (Note 22(c)(iii)).

18. Investments in associates (Cont'd)

(ii) Investment in Liuhe (Cont'd)

During the financial year ended 31 December 2018, management considered various estimates and assumptions include the financial health, cash flow projection and future prospects of the investment and in view that no change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. Therefore, no reversal of impairment loss required at the end of reporting period.

The Group has not recognised its share of losses from Liuhe of RMB760,000 for the financial year ended 31 December 2018 as the Group's cumulative share of losses exceed its interest in that entity and the Group has no obligation in respect of those accumulated losses of RMB4,966,000 at the reporting date.

(iii) Investment in KYWJ Group

Set out below are the associates of the Group as at 31 December 2018. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Name of companies	Principal activities	Place of business/ country of incorporation	Issued and paid up capital	Equity holding 2018
					%
(a)(b)	Beijing Kaiyuanwanjia Management Consulting Limited ("KYWJ")	Investment holding	PRC	RMB4,444,445	50
Held by KYWJ					
(a)(b)	Yichang Xinshougang Property Development Company Limited ("XSG")	Property development and asset management	PRC	RMB120,000,000	50
Held by XSG					
(c)	Yichang Jiaye Hotel Management Co., Limited	Dormant	PRC	RMB1,000,000	50
(c)	Yichang Xiecheng Exhibition Services Co., Limited	Dormant	PRC	RMB1,000,000	50

(a) Reviewed by Shanghai Nexia TS Certified Public Accountants, PRC, for consolidation purposes.

(b) Audited by Ruihua Certified Public Accountants.

(c) Not required to be audited under the laws of country of incorporation.

18. Investments in associates (Cont'd)

(iii) Investment in KYWJ Group (Cont'd)

Summarised statement of financial position

	2018 RMB'000	2017 RMB'000
As at 31 December		
Current		
Cash and cash equivalents	113,594	44,481
Other current assets (excluding cash)	923,364	718,183
Total current assets	1,036,958	762,664
Financial liabilities	23,053	–
Other liabilities	934,251	674,768
Total current liabilities	957,304	674,768
Non-current		
Total non-current assets	161,261	161,726
Total non-current liabilities	41,977	44,880
Net assets	198,938	204,742
Reconciliation to carrying amounts:		
Beginning of the financial year/opening net assets at date of acquisition	204,742	191,870
(Loss)/profit for the financial year/period	(5,804)	12,872
Closing net assets	198,938	204,742
Group's share in %	50%	50%
Group's share	99,469	102,371
Carrying amount	99,469	102,371

18. Investments in associates (Cont'd)

(iii) Investment in KYWJ Group (Cont'd)

Summarised Statement of Comprehensive Income

	2018 RMB'000	2017[1] RMB'000
For the financial year/period ended 31 December		
Revenue	131,140	102,352
Depreciation	523	467
Income tax expense	2,315	3,728
(Loss)/profit for the financial year/period	(5,804)	12,872
Share of (loss)/profit of associates	(2,902)	6,436

(1) Summarised statements of comprehensive income of KYWJ Group pertains to the financial period 1 June 2017 to 31 December 2017.

KYWJ Group is in the business of real estate development focusing on property development in Meiziya Village, Xiaoxita, Yiling District, Yichang City, Hubei Province, PRC. KYWJ Group holds land use rights in the surrounding area associated with the property development The development project, Yichang Guobin No.1, are carried out in different phases. During the financial year, KYWJ Group has commence the development of "new" Phase 3 (formerly known as Phase 3 and 4). The "new" Phase 3 is divided into Phase 3-1, 3-2 and 3-3. As at 31 December 2018, Phase 2-3 and "new" Phase 3 are in the process of construction and expected to complete by financial year ended 2020. Details of land use right are as follows:

Description	Tenure	Total approximate site area (sq. m)	Total gross floor area (sq. m)	Main usage
The property is subjected to a right to use of land till	Leasehold			Residential and commercial
(i) 28 December 2076 for residential purpose; and		530,722	658,989	
(ii) 28 December 2046 for commercial, tourism and convention purpose.		57,004	111,027	Hotel and convention centre
		587,726	770,016	

19. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statement of financial position as follows:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Deferred tax assets:		
To be recovered within 12 months	7,733	3,425
Deferred tax liabilities:		
To be settled within 12 months	(14,136)	(24,182)
To be settled after more than 12 months	(5,258)	(5,258)
	(19,394)	(29,440)
Deferred tax liabilities – net	(11,661)	(26,015)

Movement in the deferred income tax account is as follows:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Beginning of financial year	26,015	68,184
(Credited)/charged to profit or loss	(14,354)	9,188
Reclassified to discontinued operation	–	(7,004)
Disposal of subsidiaries	–	(44,353)
End of financial year	11,661	26,015

19. Deferred income tax (Cont'd)

The movement in deferred income tax assets and liabilities, (prior to offsetting of balances within the same tax jurisdiction), is as follows:

Deferred tax liabilities	Accelerated tax depreciation	Fair value gains on investment properties	Fair value gains on development properties and property, plant and equipment	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group					
2018					
Beginning of financial year	(633)	5,258	–	24,815	29,440
(Credited)/charged to profit or loss	(46)	–	–	(10,000)	(10,046)
End of financial year	(679)	5,258	–	14,815	19,394
2017					
Beginning of financial year	(626)	4,583	51,357	17,362	72,676
(Credited)/charged to profit or loss	(7)	675	(7,004)	7,453	1,117
Disposal of subsidiaries	–	–	(44,353)	–	(44,353)
End of financial year	(633)	5,258	–	24,815	29,440

Deferred tax assets	Accelerated tax depreciation
	RMB'000
Group	
2018	
Beginning of financial year	(3,425)
Charged to profit or loss	(4,308)
End of financial year	(7,733)
2017	
Beginning of financial year	(4,492)
Credited to profit or loss	1,067
End of financial year	(3,425)

19. Deferred income tax (Cont'd)

Deferred income tax liabilities of RMB6,484,000 (2017: RMB12,065,000) have not been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries (established in PRC) as the Group is in a position to control the timing of the remittance of earning and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

20. Inventories

	Group	
	2018	2017
	RMB'000	RMB'000
Raw materials for construction of water pipeline	1,750	2,165

The cost of inventories for construction of water pipeline installation are recognised in profit or loss as "cost of sales and services provided" amounted to RMB5,430,000 (2017: RMB7,953,000).

21. Other current assets

	Group	
	2018	2017[1]
	RMB'000	RMB'000
As at 31 December		
Asset recognised from costs incurred to fulfil a contract	27,809	–

Costs incurred to fulfil contracts for construction of water pipeline related to direct cost incurred for uncompleted contracts as at 31 December 2018. The Group expect the capitalised costs to be completely recovered, hence no impairment loss has been recognised.

(1) The Group has adopted IFRS 15 using cumulative effect method. Under this method, the comparative information is not restated. Refer to Note 2.1(iii) to the financial statements for the impact of transition of IFRS 15 and the impact of adopting IFRS 15.

22. Trade and other receivables

		Group		Company	
		2018	2017	2018	2017
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	(a)	13,088	13,880	–	–
Bill receivables	(b)	11,177	7,522	–	–
		24,265	21,402	–	–
Less: Loss allowance[2]		(2,142)	(2,142)	–	–
		22,123	19,260	–	–
Gross amounts due from customers for construction contracts[1]	23	–	17,075	–	–
Contract assets[1]	(a)	15,367	–	–	–
Other receivables					
- Non-related parties	(c)(i)	11,403	10,887	–	–
Less: Loss allowance[2]	(c)(i)	(6,670)	(6,670)	–	–
		4,733	4,217	–	–
- Associates	(c)(iii)	228,349	390,577	–	–
Less: Loss allowance[2]	(c)(iii)	(86,070)	(86,070)	–	–
		142,279	304,507	–	–
- Non-controlling shareholders of subsidiaries	(c)(ii)	124	158	–	–
- Subsidiaries	(c)(iv)	–	–	488,004	496,392
Less: Loss allowance[2]	(c)(iv)	–	–	(35,649)	(35,649)
		–	–	452,355	460,743
Prepayments and advances	(d)	4,840	6,122	2	2
Deposits	(e)	30,216	297	58	54
		219,682	351,636	452,415	460,799

(1) The Group has adopted IFRS 15 using cumulative effect method. Under this method, the comparative information is not restated. Refer to Note 2.1(iii) to the financial statements for the impact of transition of IFRS 15 and the impact of adopting IFRS 15.

(2) There is no impact of transition from IAS 39 to IFRS 9 on the allowance for impairment on trade and other receivables.

22. Trade and other receivables (Cont'd)

Trade and other receivables are mainly denominated in Renminbi.

The Group has a practice to collect advances from its customers before commencement of work. Typically, the Group offers 0 to 30 days credit terms to its customers and seeks to maintain a strict control over its outstanding receivables. The management will perform regular reviews on overdue balances.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The major classes of financial assets of the Group and the Company are cash and cash equivalents and trade and other receivables. The Group's and the Company's exposure to credit risk arises primary from trade and other receivables.

For customers, the Group performs credit reviews on new customers before acceptance and an annual review for existing customers. Credit reviews take into account the evaluation of financial strength, the Company's past experiences with the customers and other relevant factors. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

(a) Trade receivables and contract assets

The trade receivables of the Group comprise of 3 debtors (2017: 2 debtors) that individually represent 6%, 34% and 41% (2017: 36% and 54%) of trade receivables.

Loss allowance for trade receivables and contract assets are measured at an amount equal to lifetime expected credit losses ("ECL") via provision matrix as these items do not have a significant financing component. Trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due to measure the ECL by reference to the Group's historical observed default rates, customers' ability to pay and adjusted with forward-looking information. The contract assets relate to unbilled work-in-progress and have substantially same risk characteristics as the trade receivables for the same types of contracts.

Trade receivables and contract assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments.

The Group has recognised a loss allowance of RMB2,142,000, against trade receivables and contract assets over 365 days past due, because historical experience has indicated that these receivables are generally not recoverable. No other loss allowance are recognised as the management believes that the amounts that are past due are collectible, based on historical payment behaviour and credit-worthiness of the customers.

22. Trade and other receivables (Cont'd)

(a) Trade receivables and contract assets (Cont'd)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Previous accounting policy for impairment of trade receivables

The impairment of trade receivables was assessed based on loss incurred model. Impaired trade receivables relate to long outstanding which have been past due more than a year and/or the customers that are in financial difficulty and management is of the view that payments are not forthcoming. There is no additional allowance for impairment of trade receivables made during the financial year ended 31 December 2017. Subsequent recoveries of amounts previously impaired are credited against other operating expenses.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

As at 31 December 2017, trade receivables of RMB11,738,000 were past due but not impaired. These relate to a number of individual customers for whom there is no recent history of default. Management believes that the amounts that are past due are collectible, based on historical payment behaviour and credit-worthiness of the customers.

The aging analysis of trade receivables that were past due but not impaired is as follows:

	Group 2017 RMB'000
0 to 30 days	371
More than 30 days	11,367
	11,738

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group 2017 RMB'000
Gross	2,142
Less: Allowance for impairment	(2,142)
	–
At 1 January	4,988
Derecognised due to disposal of subsidiaries	(2,846)
At 31 December	2,142

22. Trade and other receivables (Cont'd)

(b) Bills receivables

Bills receivables have a maturity period of 180 - 365 days and will be converted into cash upon maturity.

Bill receivables are with banks with high credit-ratings. Hence, no expected loss rate are assigned and loss allowance are recognised.

(c) Other financial assets, at amortised cost

The Group's and the Company's other financial assets recognised at amortised cost are mainly comprised of other receivables, ie, amount owing by non-related parties, amount owing by associates, amount owing by non-controlling shareholders of subsidiaries and deposits. These other financial assets are subject to immaterial credit loss.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to these receivables in estimating the probability of default of each of these other financial assets.

For the purpose of impairment assessment, loss allowance is generally measured at an amount equal to 12-month ECL as there is low risk of default and strong capability to meet contractual cash flows. When the credit quality deteriorates and the resulting credit risk of other financial assets increase significantly since its initial recognition, the 12-month ECL would be replaced by lifetime ECL.

Other financial assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of other receivables to engage in a repayment plan with the group, and a failure to make contractual payments.

As at 31 December 2018, the Group and the Company had respectively recognised a loss allowance of RMB92,740,000 (refer to Note 22 (c)(i) and Note 22 (c)(iii)) and RMB35,649,000 (refer to Note 22(c)(iv)) against other financial assets, at amortised cost over 365 days past due, because historical experience has indicated that these receivables are generally not recoverable. No other loss allowance are recognised as the management believes that the amounts that are collectible, based on historical payment behaviour and credit-worthiness of the other receivables.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

22. Trade and other receivables (Cont'd)

(c) Other financial assets, at amortised cost (Cont'd)

(i) Other receivables - non-related parties

The carrying amount of other receivables individually determined to be impaired and the movement in the related loss allowance are as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
Gross	6,670	6,670
Less: Loss allowance	(6,670)	(6,670)
	–	–
At beginning and end of financial year	6,670	6,670

Included in impaired other receivables comprise an amount of RMB4,132,000 (2017: RMB4,132,000) due from a non-related party relating to the Men Tou Gou project. The amount was long overdue and the management has assessed the recoverability and is of the opinion that payments are not forthcoming. Hence, a loss allowance has been made by the Group.

(ii) Due from non-controlling shareholders of subsidiaries

The amounts due from non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

(iii) Due from associates

Breakdown of due from associates are as follows:

- Due from Future Trillion of RMB76,102,000 is denominated in United Stated Dollars, and is secured by equity interests in Future Trillion Group held by its controlling shareholder and corporate guarantee executed by the controlling shareholder of Future Trillion, bears interest at 6% per annum and is repayable on demand. This has been fully impaired.

- Due from Liuhe of RMB9,968,000 is denominated in Renminbi, and is unsecured, bears interest at 12% to 15% per annum and is repayable on demand. This has been fully impaired.

- Due from KYWJ Group of RMB142,279,000 is denominated in Renminbi and is unsecured, interest free and has no fixed term of repayment.

22. Trade and other receivables (Cont'd)

(c) Other financial assets, at amortised cost (Cont'd)

(iii) Due from associates (Cont'd)

The carrying amount of the amount due from associates individually determined to be impaired and the movement in the related loss allowance are as follows:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Gross	86,070	86,070
Less: Loss allowance (Note 18)	(86,070)	(86,070)
	–	–
Beginning and end of financial year	86,070	86,070

Management assessed the recoverability of the amount due from associates and is of the opinion that payments are not forthcoming. Hence, impairment was made in full for the receivables due from associates (exclude the amount due from the KYWJ Group of RMB142,279,000).

(iv) Due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

	Company	
	2018	**2017**
	RMB'000	**RMB'000**
Due from subsidiaries	488,004	496,392
Less: Loss allowance	(35,649)	(35,649)
	452,355	460,743

Movement in loss allowance of amount due from subsidiaries:

	Company	
	2018	**2017**
	RMB'000	**RMB'000**
Beginning and end of financial year	35,649	35,649

Management assessed the recoverability of the amount due from subsidiaries and is of the opinion that payments are not forthcoming for outstanding balance of RMB35,649,000. Hence, impairment was made in full for the receivables due from those loss making subsidiaries.

22. Trade and other receivables (Cont'd)

(d) Prepayments and advances

The prepayment and advances includes construction cost of RMB3,565,000 (2017: RMB4,895,000) paid in advance to the sub-contractors.

(e) Deposits

The deposits include a refundable deposit of RMB30,000,000 (2017: Nil) due from a real estate development company in relation to withdrawn joint investment opportunity.

23. Gross amounts due (to)/from customers for construction contracts

	Group
	2017[1]
	RMB'000
The aggregate costs incurred and recognised profits (less recognised losses) to date	28,404
Less: Progress billings	(13,782)
	14,622
Gross amount due from customers for construction contracts (Note 22)	17,075
Gross amount due to customers for construction contracts (Note 26)	(2,453)
	14,622

For the financial year ended 31 December 2017, advances received in respect of construction contracts of approximately RMB47,424,000 is included in receipts in advance (Note 26).

(1) The Group has adopted IFRS 15 using cumulative effect method. Under this method, the comparative information is not restated. Refer to Note 2.1(iii) to the financial statements for the impact of transition of IFRS 15 and the impact of adopting IFRS 15.

24. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	62,021	54,856	1	1
Short-term deposits	2,099	2,062	–	–
Restricted bank balances	146	145	–	–
	64,266	57,063	1	1

24. Cash and cash equivalents (Cont'd)

Details of restricted bank balances are as follow:

	Group	
	2018	2017
	RMB'000	RMB'000
Restricted bank balances for a land development project[a]	146	145

(a) Restricted bank balances of approximately RMB146,000 (2017: RMB145,000) is placed for securing the performance and fund utilisation for a land development project of the Group.

The total cash and bank balances are denominated in the following currencies:

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	62,966	55,707	1	1
Hong Kong Dollar	1,257	1,333	–	–
United States Dollar	4	4	–	–
Singapore Dollar	39	19	–	–
	64,266	57,063	1	1

Renminbi is not freely convertible to other currencies as such amounts were held by the subsidiaries located in PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies only through banks that are authorised to conduct foreign exchange business. These local exchange control regulations imposed restriction on exporting capital from the country, other than through normal dividends.

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2018	2017
	RMB'000	RMB'000
Cash and bank balances (as above)	64,266	57,063
Less: Restricted bank balances	(146)	(145)
Cash and cash equivalents per consolidated statement of cash flows	64,120	56,918

24. Cash and cash equivalents (Cont'd)

(i) Beijing Kaiyuan Wanjia Management Consulting Company Limited and its subsidiaries ("KYWJ Group")

Disposal of subsidiaries

On 1 June 2017, the Group completed the disposal of its 5% equity and debt interests in the KYWJ Group for a cash consideration of RMB27,000,000. Following the disposal, the Company loss control over KYWJ Group and became associates.

The effects of the disposal on the cash flows of KYWJ Group was:

	2017 **RMB'000**
Carrying amounts of assets and liabilities disposed of	
Property, plant and equipment (Note 13)	156,280
Cash and cash equivalent	23,167
Trade and other receivables	24,374
Property for development	651,631
Total assets	855,452
Trade and other payables, represents total liabilities	(662,345)
Net assets derecognised	193,107
Less: Non-controlling interests	(87,121)
Net assets retained and reclassified as investment in associates	(96,553)
Transfer of reserve	(1,586)
Net asset disposed of	7,847

The aggregate cash inflows arising from the disposal of KYWJ Group:

	2017 **RMB'000**
Net assets disposed of (as above)	7,847
Gain on disposal (Note 6(b))	6,415
Fair value loss on net assets retained	618
Transfer of debt	12,120
Consideration received from disposal	27,000
Less: Cash and cash equivalents in subsidiary disposed of	(6,884)
Net cash inflow on disposal	20,116

25. Borrowings

		Group	
		2018	2017
	Note	RMB'000	RMB'000
Unsecured borrowing			
Short-term borrowing – a related party	(b)	–	39,100
Short-term borrowing – a non-related party	(b)	28,000	28,000
		28,000	67,100
Secured borrowing			
Current			
Collaterised borrowing – a non-related party	(a)	–	23,748
		–	23,748
Total borrowings		28,000	90,848

Collaterised borrowing and short-term borrowings are denominated in Renminbi.

(a) Collaterised borrowing

<u>Description of collaterised borrowing</u>

In 2013, the Group entered into a series of transactions with several parties, which involved a bank, a trust company and a finance lease company. Under this arrangement, the ancillary facilities of the water supply services of the Group and its entire pipeline network ("water plant assets") are sold and leaseback from the finance lease company. The sales proceeds amounted to approximately RMB200,000,000 and the lease rental and period are as follows:

Quarterly rental	:	RMB12,320,000
Lease period	:	27 June 2013 to 28 June 2018
Effective interest rate	:	8.32%

However, the sales proceeds are financed by a bank, through the finance lease company. The lease payments to the finance lease company will be paid to the bank via a trust company. Water plant assets are pledged to the trust company.

The ancillary facilities of the water supply services are specialised in nature and it is unlikely that a third party would be able to use and operate the assets.

The Group still retains all the risks and rewards incident to ownership of the underlying assets and enjoys substantially the same rights to their uses as before the arrangement. A repurchase agreement is included in the arrangement for the Group to buy back the assets at nominal value at the end of the lease term.

25. Borrowings (Cont'd)

(a) Collaterised borrowing (Cont'd)

Description of collaterised borrowing (Cont'd)

Although the arrangement is in the legal form of a lease, management concluded that the arrangement is in substance a collateralised borrowing, because the assets of the arrangement are indispensable and the Group is bound to buy back the assets at the end of the lease term. Therefore, at inception of the arrangement, the Group recognised a liability at an amount equal to the fair value of the sales consideration, net of transactions costs and subsequently carried at amortised cost.

FY2017

For the financial year ended 31 December 2017, certain land and buildings (Note 13) and investment properties (Note 15) of the Group are pledged as security for this collateralised borrowing.

The Group is not significantly exposed to interest rate risk for this borrowing.

At the end of the reporting period, the fair value of non-current collaterised borrowing approximates its carrying amount. The fair value is determined from the cash flow analysis, discounted at annual market borrowing rate of 8.85% of an equivalent instrument at the end of the reporting period which management expects to be available to the Group. The fair value is within Level 2 of the fair value hierarchy.

FY2018

During the financial year ended 31 December 2018, the collaterised borrowing has been fully repaid. The securities had been discharged following the settlement of this borrowing during the financial year ended 31 December 2018.

(b) Short-term borrowings

Short term borrowing from a related party is unsecured, interest bearing at 8.35% per annum. During the financial year ended 31 December 2018, the amount has been fully repaid. Short term borrowing from a non-related party is unsecured, interest free and repayable on demand.

26. Trade and other payables

		Group		Company	
	Note	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Trade payables		22,293	25,700	–	–
Gross amount due to customers for construction contracts[1]	23	–	2,453	–	–
Accruals	(a)	5,888	9,942	1,140	1,205
Other payables					
- Non-related parties	(b)	8,944	10,458	1,161	1,161
- Non-controlling shareholders of subsidiaries	(c)	38,011	68,011	–	–
- Subsidiaries	(d)	–	–	138,093	142,573
- Associated companies	(e)	1,992	1,992	1,993	1,993
		48,947	80,461	141,247	145,727
Receipts in advance from	(f)				
- Supply of gray water		13,582	14,525	–	–
- Construction of water pipeline[1]		52,999	47,424	–	–
		66,581	61,949	–	–
		143,709	180,505	142,387	146,932

(1) The Group has adopted IFRS 15 using cumulative effect method. Under this method, the comparative information is not restated. Refer to Note 2.1(iii) to the financial statements for the impact of transition of IFRS 15 and the impact of adopting IFRS 15.

Trade payables generally have credit terms ranging from 0 to 30 days.

Trade and other payables are mainly denominated in Renminbi.

(a) Accruals

2018

Included in the accruals are interest payable of borrowing of RMB1,231,000 and accrued employee benefit expense of RMB1,559,000 and other operating expenses.

2017

Included in the accruals amounted to RMB4,800,000 are interest payable of borrowing and other operating expenses.

(b) Other payables to non-related parties

Other payables to non-related parties are mainly value added tax relating to the accrued interest income from associates amounted to RMB5,778,000 (2017: RMB5,523,000).

26. Trade and other payables (Cont'd)

(c) Due to non-controlling shareholders of subsidiaries

As at 31 December 2017, the amounts due to non-controlling shareholders of subsidiaries included a dividend payable of RMB30,000,000. Subsequently, the dividend payable has been fully repaid in the current financial year ended 2018. The remaining amounts due to non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

(d) Due to subsidiaries

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

(e) Due to associated companies

The amounts due to associated companies are unsecured, interest-free and repayable on demand.

(f) Receipts in advance

Receipts in advance mainly relates to payments received in advance from customers. The related amounts are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer which generally does not exceed one year.

The increase in receipts in advance is due to the adoption of IFRS 15. Refer to Note 2.1(iii) to the financial statements for the impact of transition of IFRS 15 and the impact of adopting IFRS 15.

Revenue recognised in the financial year ended 2018 amounted to RMB45,993,000 was included in the receipts in advance at the beginning of the financial year.

27. Deferred income

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Beginning of financial year	–	–
Grant received	16,300	–
End of financial year	16,300	–

Deferred income comprised of government grants for the construction of property, plant and equipment relating to the development of new Xinhe Water Recycling Plant (the "Project") in the Group's subsidiaries, CIHL (Tianjin) Water Development Company Limited. The deferred grants are subsequently charged to profit or loss over the Project periods to match the related costs, i.e. depreciation and the net book value of disposal and write-offs of the property, plant and equipment purchased with the related grants.

As at 31 December 2018, the Project has not yet to be completed. Upon completion, the Project will be subjected to audit/review by the relevant authority.

28. Share capital and treasury shares

(a) Ordinary shares

	Group and Company	
	Number of shares	Amount
	'000	S$'000
Authorised:		
2018		
Beginning and end of financial year *(1,000,000,000 ordinary shares with a par value S$0.05 each)*	1,000,000	50,000
2017		
As at beginning of the financial year *(1,000,000,000 ordinary shares with a par value S$1.00 each)*	1,000,000	1,000,000
Capital reorganisation[1]	–	(950,000)
As at end of the financial year *(1,000,000,000 ordinary shares with a par value S$0.05 [1] each)*	1,000,000	50,000

	Group and Company	
	Number of shares	Amount
	'000	RMB'000
Issued and fully paid:		
2018		
Beginning and end of financial year	71,233	17,779
2017		
Beginning of financial year	51,230	257,321
Capital reorganisation[1]	–	(244,455)
Issued of scrip shares[2]	20,003	4,913
End of financial year	71,233	17,779

(1) On 20 May 2017, the Company has completed a capital reorganisation exercise of reducing the par value of each ordinary share in the capital of the Company from S$1.00 to S$0.05, so as to comply with the laws of Bermuda. Under the Bermuda Companies Act and Bye-laws, shares of a Bermuda company cannot be issued for an amount less than the par value of the shares. The capital reorganisation involved the following:

(i) the reduction of the issued and paid-up share capital of the Company (the "Capital Reduction") from S$51,230,187 divided into 51,230,183 Shares with a par value of S$1.00 each, to S$2,561,509 divided into 51,230,183 Shares with a par value of $0.05 each, by cancelling the paid-up capital of the Company to the extent of S$0.95 on each of the Shares with a par value of S$0.05 in issue on 20 May 2017.

28. Share capital (Cont'd)

(a) Ordinary shares (Cont'd)

(ii) subject to and forthwith upon the Capital Reduction taking effect, the cancellation of all of the authorised but unissued Shares with a par value of S$1.00 each in the Company (which shall include, with limitation, the authorised but unissued share capital resulting from the Capital Reduction) and the diminution of the authorised share capital of the Company of S$1,000,000,000 by diminished by S$997,438,491 (representing the amount of shares so cancelled) (the "Authorised Capital Diminution"), and forthwith upon the Authorised Capital Diminution, the authorised share capital of the Company be increased to S$50,000,000 by the creation of 948,769,813 ordinary shares with a par value of S$0.05 each (representing the difference between 1,000,000,000 ordinary shares with a par value of S$0.05 each and the number of ordinary shares with a par value of S$0.05 in issue after the Capital Reduction) (the "Authorised Capital Increase").

(iii) subject to and forthwith upon the Capital Reduction taking effect, the credit amount arising from the Capital Reduction in the sum of S$48,668,678 (approximately equivalent to RMB244,455,000) be credited to the contributed surplus account of the Company (the "Crediting of Contributed Surplus").

(2) On 27 June 2017, 20,003,350 new shares ("New Shares") were allotted and issued at an issue price of S$0.25 per New Share in the sum of S$5,000,838 (approximately equivalent to RMB24,565,000) to eligible shareholders of the Company who have elected to participate in the Scrip Dividend Scheme. The Scrip Dividend Scheme provided Shareholders who are entitled to dividends may elect to (i) receive either cash or an allotment of ordinary shares in the capital of the Company credited as fully paid-up, in lieu of the whole of the cash amount of the dividend to which the Scrip Dividend Scheme applies; or (ii) an allotment of New Shares in lieu of the cash amount of the dividend entitlement (credited as fully paid-up) in relation to a portion of his existing Shares held, and a cash dividend in relation to the balance of his existing Shares held as determined by the Directors. The credit amount arising from the issuance of New Shares in the sum of S$4,000,670 (approximately equivalent to RMB19,652,000) be credited to the share premium account of the Company.

The newly issued shares rank pari passu in all respects with the previously issued shares.

All issued ordinary shares were fully paid. The par value for these ordinary shares is S$0.05 (2017: S$0.05).

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

(b) Share options

The Group adopted CIHL Share Option Scheme (the "2010 Scheme") on 8 March 2010 and details of the specific categories of share options granted under the 2010 Scheme are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
			S$
10 March 2014	50% of 2,700,000 options to be vested on 10 March 2015	10 March 2015 to 9 March 2019	0.904
	50% of 2,700,000 options to be vested on 10 March 2016	10 March 2017 to 9 March 2019	0.904

As at date of this statement, all share options have expired.

Under the 2010 Scheme, if the share options remain unexercised after a period of 5 years from the date of grant, the share options expire. Share options are forfeited if the employee leaves the Group before the share options vest. Share options previously vested would be lapsed immediately if the employee leaves the Group, unless the remuneration committee otherwise approved.

28. Share capital (Cont'd)

(b) Share options (Cont'd)

Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
	'000	S$	'000	S$
Outstanding at the beginning of financial year	2,700	0.9040	2,700	0.9040
Lapsed	(400)	0.9040	–	–
Outstanding at the end of financial year	2,300	0.9040	2,700	0.9040
Exercisable at the end of financial year	2,300	0.9040	2,700	0.9040

At the end of the reporting period, the outstanding share options have a weighted average remaining contractual life of 0.19 years (2017: 1.19 years) and the exercise prices of $0.904 (2017: S$0.904).

There are no share-based payments made to directors and executives for the financial year ended 31 December 2018 and 31 December 2017.

These fair values were calculated using the Binomial model. The fair value of share options granted in 2014 was estimated to be S$1,447,000, equivalent to RMB6,989,000. The inputs into the model are as follows:

	8 March 2010	17 May 2010	19 July 2010	2 June 2011	10 March 2014
Share price	S$0.0769	S$0.085	S$0.075	S$0.052	S$0.046
Exercise price	S$0.075	S$0.087	S$0.079	S$0.052	S$0.0452
Expected volatility	70.26%	69.80%	69.79%	65.80%	102.305%
Expected life	5 years	5 years	5 years	5 years	5 years
Risk free rates	1.50%	1.01%	0.75%	1.02%	1.443%
Expected dividend yield	4.19%	4.19%	4.19%	4.22%	7.61%
Exercise Multiple	2 times	2 times	2 times	2.2 and 2.8 times	–
Employee exit rate	7.10%	7.10%	7.10%	0% and 13%	0%

28. Share capital (Cont'd)

(b) Share options (Cont'd)

Expected volatility was determined by calculating the historical volatility of the Company's share price over the past 5 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, excise restriction and behavioral considerations.

(c) CIHL Performance Share Plan (the "PSP")

The PSP was approved by the shareholders of the Company at a Special General Meeting held on 8 March 2010. The PSP shall complement the 2010 Scheme and serve as an additional and flexible incentive tool.

Under the rules of the PSP, all directors and employees of the Group as well as the employees of associates are eligible to participate in the PSP at the absolute discretion of the Remuneration Committee.

The total number of shares over which shares to be issued under the PSP, together with the number of shares issued under the 2010 Scheme shall not exceed 15% of the issued share capital of the Company at any time.

The Remuneration Committee is charged with the administration of the PSP in accordance with the rules of the PSP. The Remuneration Committee administering the PSP comprises the directors, Mr Shan Chang, Mr Chee Teck Kwong Patrick and Mr Teo Woon Keng John.

None of the directors in the committee participated in any deliberation or decision in respect of shares granted to himself.

The number of shares to be offered to a participant shall be determined at the discretion of the Remuneration Committee provided that:

(i) the aggregate number of shares which may be offered to participants who are controlling shareholders and their associates shall not exceed 25% of the 2010 Scheme; and

(ii) the number of shares which may be offered to each participant who is a controlling shareholder or their associates shall not exceed 10% of the 2010 Scheme.

No shares had been granted to any participant since the commencement of the PSP.

28. Share capital (Cont'd)

(d) Treasury shares

	Group and Company	
	Number of ordinary shares	Amount
	'000	RMB'000
2018		
Beginning of financial year	–	–
Share buyback	3,600	(9)
Sale of treasury share	(3,600)	9
End of financial year	–	–

As per the announcements released by the Company on 1 December 2018, the Company has performed various share buybacks during the period commencing from 21 December 2017 and to 16 October 2018. The Company had acquired 3,600 shares of the Company from the open market during the said period totalling to RMB9,000.

Subsequently, the Company has disposed of the treasury shares on 27 December 2018.

These transactions were presented as a component within shareholder's equity.

29. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity. All reserves are non-distributable.

29. Reserves (Cont'd)

(b) Company

	Note	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Total reserves RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Total RMB'000
2018										
Beginning of financial year		65,712	810,044	479	8,324	7,409	891,968	–	(399,879)	492,089
Total comprehensive loss for the financial year		–	–	–	–	–	–	–	(3,839)	(3,839)
Share options lapsed		–	–	–	–	(295)	(295)	–	295	–
Share buybacks	28(d)	–	–	–	–	–	–	(9)	–	(9)
Sale of treasury shares	28(d)	–	–	–	–	–	–	9	–	9
End of financial year		65,712	810,044	479	8,324	7,114	891,673	–	403,423	488,250
2017										
Beginning of financial year		46,060	565,589	479	8,324	7,409	627,861	–	(319,188)	308,673
Total comprehensive loss for the financial year		–	–	–	–	–	–	–	(4,995)	(4,995)
Capital reorganisation	28(a)	–	244,455	–	–	–	244,455	–	–	244,455
Special dividend	32	–	–	–	–	–	–	–	(75,696)	(75,696)
Scrip shares issued		19,652	–	–	–	–	19,652	–	–	19,652
End of financial year		65,712	810,044	479	8,324	7,409	891,968	–	(399,879)	492,089

29. Reserves (Cont'd)

(c) Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up for unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premium payable on repurchase of shares.

(ii) Contributed surplus

The contributed surplus of the Company and the Group represents the balance of the amount of credit arising from the following exercise:

(i) capital reduction pursuant to a special resolution passed on 10 May 2004 for the reduction of issued and paid-up share capital of the Company from S$0.20 to S$0.05 on each of the 751,987,750 issued and paid-up shares.

(ii) capital reorganisation pursuant to a special resolution passed on 28 April 2017 for the reduction of issued and paid-up share capital of the Company from S$1.00 to $0.05 on each of the 51,230,183 issued and paid-up shares.

(iii) Share options reserve

The fair value of the actual or estimated number of unexercised share options granted to employees of the Company and the Group are recognised in accordance with the accounting policy adopted for share-based payments as set out in Note 2.26(iv) to the financial statements.

(iv) Capital redemption reserve

Capital redemption reserve arises from the reduction of the nominal value of the issued share capital of the Company upon the cancellation of the repurchased shares.

Contributed surplus, share option reserve and capital redemption reserve are non-distributable.

30. Related party transactions

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

(a) Sales and purchases of goods and services

	2018 RMB'000	2017 RMB'000
Related parties		
- Cash received on behalf of the Group	–	8,146
- Repayment of borrowings	(39,100)	(1,000)
- Interest expense paid/payable	1,667	3,568
Associates		
- Proceeds from repayment of loans and interests	168,980	59,800

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Outstanding balances at 31 December 2018 and 2017 are unsecured and receivable/payable within 12 months from the end of the reporting period are disclosed in Notes 22 and 26 to financial statements respectively. Outstanding borrowing from a related party as at 31 December 2017 is unsecured, interest bearing at 8.35% is disclosed in Note 25(b) to the financial statements.

(b) Key management compensation

Key management includes directors (executive and non-executive) and chief financial officer. The compensation paid/payable to key management is as follows:

	Group	
	2018 RMB'000	2017 RMB'000
Directors' fees	1,080	1,080
Salaries, allowances and bonuses	2,794	2,816
Pension costs of defined contribution plans	–	4
	3,874	3,900

Included in the total key management compensation is directors' remuneration of the Company amounting to RMB3,874,000 (2017: RMB3,900,000).

31. Segment information

For management purpose, the Group is organised into business units based on its products and services and has two reportable segments for the financial year ended 31 December 2018 as follows:

Water supply services	- Construction of water pipeline and supply of gray water
Land development	- Provision of engineering and land leveling service for preliminary land development projects
Others	- Others include investment/corporate segment

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

During the financial year ended 31 December 2017, the Group has disposed of the property development business segment operates under KYWJ Group with effective from 31 May 2017. Hence, management has classified the property management business as "Discontinued operations" as disclosed in Note 11 of the financial statements.

The other segment include investment segment which identifies new investment opportunities locally and oversea that has the potential to increase revenue streams and produce good returns on investments.

The accounting policies of the operating segments are the same as those set out in Note 2 to the financial statements.

	Continuing operations			
	Water supply services	Land development	Other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial year ended 31 December 2018				
Total revenue - external parties	89,681	–	–	89,681
Segment results	51,024	–	–	51,024
Interest income	351	1	6,361	6,713
Rental income	–	–	1,230	1,230
Other income	14	–	(28)	(14)
Administrative expenses	–	–	(8,771)	(8,771)
Other operating expenses	(11,437)	(1,670)	(11,549)	(24,656)
Currency translation loss	–	–	(162)	(162)
Finance expenses	–	–	(2,391)	(2,391)
Share of profit of associated companies	–	–	(2,902)	(2,902)
Income tax (expense)/credit	(10,807)	–	9,253	(1,554)
Profit for the financial year				18,517
Depreciation and amortisation	(10,376)	(7)	(517)	(10,900)

31. Segment information (Cont'd)

	Continuing operations			
	Water supply services RMB'000	Land development RMB'000	Other segments RMB'000	Total RMB'000
As at 31 December 2018				
Total assets	284,745	31,013	332,869	648,627
Total assets includes:				
Property, plant and equipment	164,415	11	8,146	172,572
Intangible assets	243	–	–	243
Goodwill arising on consolidation	20,303	–	–	20,303
Investment properties	–	–	34,800	34,800
Investment in associated companies	–	–	99,469	99,469
Deferred income tax assets	5,647	–	2,086	7,733
Inventories	1,750	–	–	1,750
Other current assets	27,809	–	–	27,809
Trade and other receivables	26,510	18,334	174,838	219,682
Cash and cash equivalents	38,068	12,668	13,530	64,266
Total assets				648,627
Addition to property, plant and equipment	39,530	–	65	39,595
Total liabilities	122,044	4,156	107,056	233,256
Total liabilities includes:				
Short-term borrowings	–	–	28,000	28,000
Trade and other payables	86,470	3,635	53,604	143,709
Current income tax liabilities	19,274	521	6,058	25,853
Deferred income tax liabilities	–	–	19,394	19,394
Deferred income	16,300	–	–	16,300
Total liabilities				233,256

31. Segment information (Cont'd)

The other segment include investment segment which identifies new investment opportunities locally and oversea that has the potential to increase revenue streams and produce good returns on investments.

The accounting policies of the operating segments are the same as those set out in Note 2 to the financial statements.

	Continuing operations			Discontinued operations	
	Water supply services	Land development	Other segments	Property development[1]	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial year ended 31 December 2017					
Total segment revenue	90,826	–	–	392,438	483,264
Inter-segment revenue	–	–	–	(645)	(645)
Revenue from external parties	90,826	–	–	391,793	482,619
Segment results	53,814	–	–	765	54,579
Interest income	390	26	12,514	237	13,167
Rental income	–	–	1,072	–	1,072
Other income	–	–	11,280	1,500	12,780
Administrative expenses	–	–	(9,866)	–	(9,866)
Other operating expenses	(7,250)	(1,988)	(9,411)	(4,003)	(22,652)
Selling and marketing expenses	–	–	–	(3,340)	(3,340)
Fair value gain on investment properties	–	–	2,700	–	2,700
Gain on disposal of subsidiaries	–	–	6,415	–	6,415
Currency translation loss	–	–	(262)	–	(262)
Finance expenses	–	–	(8,718)	–	(8,718)
Share of profit of associated companies	–	–	6,436	–	6,436
Income tax (expense)/credit	(11,594)	–	(13,461)	7,735	(17,320)
Profit for the financial year					34,991
Depreciation and amortisation	(7,390)	(29)	(768)	(371)	(8,558)
Reversal of development properties write-down	–	–	–	67,034	67,034

(1) Financial results of discontinued operations – property development represents the financial period from 1 January 2017 to 31 May 2017.

31. Segment information (Cont'd)

	Continuing operations			
	Water supply services RMB'000	Land development RMB'000	Other segments RMB'000	Total RMB'000
As at 31 December 2017				
Total assets	238,426	16,484	460,852	715,762
Total assets includes:				
Property, plant and equipment	136,013	18	7,846	143,877
Intangible assets	122	–	–	122
Goodwill arising on consolidation	20,303	–	–	20,303
Investment properties	–	–	34,800	34,800
Investment in associated companies	–	–	102,371	102,371
Deferred income tax assets	1,339	–	2,086	3,425
Inventories	2,165	–	–	2,165
Trade and other receivables	28,282	15,948	307,406	351,636
Cash and cash equivalents	50,202	518	6,343	57,063
Total assets				715,762
Addition to property, plant and equipment	52,702	–	10	52,712
Total liabilities	151,324	4,787	159,917	316,028
Total liabilities includes:				
Short-term borrowings	23,748	–	67,100	90,848
Trade and other payables	118,919	4,266	57,320	180,505
Current income tax liabilities	8,657	521	6,057	15,235
Deferred income tax liabilities	–	–	29,440	29,440
Total liabilities				316,028

31. Segment information (Cont'd)

Geographical information

	Revenue		Non-current assets	
	2018	**2017**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Hong Kong	–	–	12	12
PRC except Hong Kong	89,681	482,619[1]	335,108	304,886
	89,681	482,619	335,120	304,898

[1] *Revenue from property development amounting to RMB391,793,000 are relates to discontinued operations.*

In presenting the geographical information, revenue is based on the geographical locations of the customers which the revenue are derived from.

Inter-segment sales are carried out based on agreed term.

Revenue from major customers

Revenue of RMB17,639,000 (2017: RMB11,963,000) are derived from two (FY2017: two) external customers. These revenues are attributable to the water supply services (FY2017: water supply services) segment.

32. Dividends

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Special dividend		
Special tax-exempt dividend paid for the financial year ended 31 December 2016 of S$30 cents per share (approximately equivalent to RMB1.47 per ordinary share)	–	75,696

Special tax-exempt dividend of RMB75,696,000 are paid through cash of RMB51,130,000 and remaining dividend of RMB24,565,000 are settled through issuance of ordinary shares of S$0.25 per share.

33. Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2018 RMB'000	2017 RMB'000
Computer software	205	326

34. Lease commitments

(a) Operating lease commitments – where the Group is a lessee

The Group leases an administrative office from a non-related party under non-cancellable operating lease agreements. The lease terms are negotiated for an average term of 2 years (2017: 2 years), and the lease agreements are renewable at the end of the lease period at market rate. The rental expenditure charged to profit or loss during the financial year is disclosed in Note 9 to the financial statements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018 RMB'000	2017 RMB'000
Not later than one year	611	459
Between one and five years	1,161	–
	1,772	459

(b) Operating lease commitments – where the Group is a lessor

The Group leases premises to a non-related party under non-cancellable operating leases. The lessees are required to pay absolute fixed annual increase to the lease payments.

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables, are as follows:

	2018 RMB'000	2017 RMB'000
Not later than one year	1,368	1,368
Between one and five years	342	1,818
	1,710	3,186

35. Events occurring after reporting period

On 14 January 2019, the Group's subsidiary, CIHL (Tianjin) Water Development Co., Ltd. ("Tianjin Water"), entered into a loan agreement amounted to RMB77,000,000 with China Bohai Bank for a loan tenure of 6 years till 28 January 2025 at interest rate of 6.5%. The loan will be used for the development of the Xinhe Water Recycling Plant (Note 13(iv)). The loan is secured by certain property, plant and equipment and investment properties of the Group. At the date of report, Tianjin Water has not drawn down the borrowing.

36. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 or later periods and which the Group has not early adopted:

IFRS/IAS No.	Title	Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRIC Interpretation	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9	Amendments to IFRS 9, Prepayment Features with Negative Compensation	1 January 2019
IAS 28	Amendments to IAS 28, Long-term Interests in Associates and Joint Venture	1 January 2019
IAS 19	Amendments to IAS 19, Plan Amendment, Curtailment or Settlement	1 January 2019
IAS 23	Amendments to IAS 23, Borrowing Costs Eligible for Capitalisation	1 January 2019
IAS 12	Amendments to IAS 12, Income Tax Consequences of Payments on Instruments Classified as Equity	1 January 2019
IFRS 3 and IFRS 11	Amendments to IFRS 3 and IAS 12, Previously Held Interests in a Joint Operation	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 3	Amendments to IFRS 3, Definition of a Business	1 January 2020
IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8, Disclosure Initiative – Definition of Material	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB1,772,000 (Note 34). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows.

37. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 2 April 2019.

SHAREHOLDING STATISTICS

As at 20 March 2019

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2,515	30.41	125,675	0.18
100 - 1,000	4,517	54.62	1,382,801	1.94
1,001 - 10,000	1,038	12.55	3,255,744	4.57
10,001 - 1,000,000	194	2.35	9,293,855	13.05
1,000,001 AND ABOVE	6	0.07	57,175,458	80.26
TOTAL	**8,270**	**100.00**	**71,233,533**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PRIVATE LIMITED	32,100,348	45.06
2	CITIBANK NOMINEES SINGAPORE PTE LTD	11,069,406	15.54
3	RAFFLES NOMINEES (PTE.) LIMITED	7,636,733	10.72
4	LEE TAT KWONG (LI DAGUANG)	3,531,121	4.96
5	OCBC SECURITIES PRIVATE LIMITED	1,488,600	2.09
6	CHAN SIN MIAN	1,349,250	1.89
7	HONG LEONG FINANCE NOMINEES PTE LTD	922,050	1.29
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	771,700	1.08
9	TAI KWANG HAN	326,600	0.46
10	ABN AMRO CLEARING BANK N.V.	290,000	0.41
11	LIM CHER HENG	270,495	0.38
12	NG JIN NEE BRENDA	267,600	0.38
13	WONG PANG FEI	246,410	0.35
14	HENG SEE ENG	227,855	0.32
15	FONG WENG KHIANG	225,000	0.32
16	WONG CHEONG SHEK	160,000	0.22
17	HEE LEE SET	150,000	0.21
18	ANG LUM KHUANG	140,000	0.20
19	LIM & TAN SECURITIES PTE LTD	134,150	0.19
20	KHOO SWEE KWANG	128,000	0.18
	TOTAL	**61,435,318**	**86.25**

LIST OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Wellful Holdings Limited	20,052,308	28.15	–	–
China Construction Group Inc	11,001,256	15.44	–	–
Wisdom Accord Limited	7,500,000	10.53	–	–
Century Investment Company Limited	12,000,000	16.85	–	–
Lin Rongqiang(1)	–	–	20,052,308	28.15
China Construction Holdings Limited(2)	–	–	11,001,256	15.44
Fok Hei Yu(3)	–	–	11,001,256	15.44
John Howard Batchelor(3)	–	–	11,001,256	15.44
Zheng Dagang(4)	–	–	7,500,000	10.53
Mu De Jun(5)	–	–	12,000,000	16.85
Gong Xuan(5)	–	–	12,000,000	16.85

Footnotes:

(1) The sole shareholder of Wellful Holdings Limited is Lin Rongqiang holding 100% of the total issued share capital. Therefore, Lin Rongqiang is deemed to be interested in the 20,052,308 shares beneficially owned by Wellful Holdings Limited by virtue of Section 4 of the Securities and Futures Act (Cap.289).

(2) The sole shareholder of China Construction Group Inc is China Construction Holdings Limited, holding 100% of the total issued share capital. Therefore, China Construction Holdings Limited is deemed to be interested in the 11,001,256 shares beneficially owned by China Construction Group Inc by virtue of Section 4 of the Securities and Futures Act (Cap.289).

(3) By way of a deed of appointment dated 28 August 2013, Mr. Fok Hei Yu and Mr. John Howard Batchelor were jointly severally appointed as receivers over 100% of the shares in China Construction Group Inc, a company incorporated under the law of Bermuda. China Construction Group Inc in turn holds 11,001,256 shares (representing 15.44% of the shareholding) in China International Holding Limited. Pursuant to Section 4 of the Securities and Future Act (Cap 289), Mr. Fok Hei Yu and Mr. John Howard Batchelor are deemed to have an interest in the shares in China International Holdings Limited.

(4) The sole shareholder of Wisdom Accord Limited is Zheng Dagang, holding 100% of the total issued share capital. Therefore, Zheng Dagang is deemed to be interested in the 7,500,000 shares beneficially owned by Wisdom Accord Limited by virtue of Section 4 of the Securities and Futures Act (Cap.289).

(5) The shareholders of Century Investment Company Ltd are Mu Dejun and Gong Xuan holding 70% and 30% respectively of the total issued share capital. Therefore, Mu Dejun and Gong Xuan are deemed to be interested in the 12,000,000 shares beneficially owned by Century Investment Company Ltd by virtue of Section 4 of the Securities and Futures Act (Cap.289).

According to the Company's record as at 20 March 2019, there was 28.74% of the Company's shares being held in the hands of the public. Thus, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CHINA INTERNATIONAL HOLDINGS LIMITED (the ***Company***) will be held at Queen Room Level 2, Copthorne King's Hotel, 403 Havelock Road, Singapore 169632 on Friday, 26 April 2019 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to the Company's Bye-Law at the forthcoming Annual General Meeting:

   2.1 Mr Shen Xia [Retiring under Bye-Law 104] **(Resolution 2)**

   2.2 Mr Zhu Jun [Retiring under Bye-Law 104] **(Resolution 3)**

3. To approve the payment of Directors' fees of RMB1,300,000 for the financial year ending 31 December 2019 (2018: RMB1,300,000). **(Resolution 4)**

4. To re-appoint Messrs Nexia TS Public Accounting Corporation, as the auditors of the Company and authorise the Directors to fix their remuneration. **(Resolution 5)**

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares**

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (***SGX-ST***), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company (***shares***) whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (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) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of Instruments, made or granted to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below);

(2) notwithstanding paragraph (1) above, the aggregate number of shares to be issued pursuant to a pro-rata renounceable rights issue shall not exceed one hundred per cent (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below) provided that the pro-rata renounceable rights shares must be issued no later than 31 December 2019;

(3) (subject to such manner of calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (1) and (2) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as at the time this Resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX- ST) and the Bye-Laws of the Company; and

(5) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 6)**
[See Explanatory Note (i)]

7. **Authority to issue shares under the CIHL Share Option Scheme**

That the Directors of the Company be authorised and empowered to offer and grant options under the CIHL Share Option Scheme (***the 2010 Scheme***) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the 2010 Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2010 Scheme and such other share-based incentive scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 7)**
[See Explanatory Note (ii)]

8. **Authority to issue shares under the CIHL Performance Share Plan**

That the Directors of the Company be authorised and empowered to offer and grant awards under the CIHL Performance Share Plan (***the Plan***) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Plan, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Plan and such other share-based incentive scheme (including the CIHL Share Option Scheme) shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 8)**
[See Explanatory Note (iii)]

9. **Authority to issue shares under the CIHL Scrip Dividend Scheme**

That pursuant to Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be and are hereby authorised and empowered to issue such number of shares in the Company as may be required to be issued pursuant to the CIHL Scrip Dividend Scheme from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 9)**
[See Explanatory Note (iv)]

By Order of the Board

Claudia Teo Kwee Yee
Company Secretary

Singapore, 10 April 2019

Explanatory Notes:

(i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding fifty per cent (50%) of the issued share capital of the Company (excluding treasury shares and subsidiary holdings), of which up to twenty per cent (20%) may be issued other than on a pro rata basis to existing shareholders of the Company, save that issues of shares pursuant to a pro-rata renounceable rights issue shall not exceed one hundred per cent (100%) of the issued share capital of the Company (excluding treasury shares and subsidiary holdings) provided that the pro-rata renounceable rights shares must be listed and issued no later than 31 December 2019.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, from date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme and such other share-based incentive scheme up to a number not exceeding in total (for the entire duration of the Scheme) 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

(iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, from date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the Plan and such other share-based incentive scheme (including CIH Share Option Scheme) up to a number not exceeding in total (for the entire duration of the Plan) 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

(iv) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of this Annual General meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or when such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company from time to time pursuant to the CIHL Scrip Dividend Scheme. Please refer to the Company's announcement dated 3 April 2017 for details on the CIHL Scrip Dividend Scheme.

Notes:

1. A Shareholder being a Depositor whose name appears in the records of the Depository is entitled to appoint no more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at forty-eight (48) before the time appointed for Annual General Meeting ("AGM") in order for the Depositor to be entitled to attend and vote at the AGM.

2. If a Depository wishes to appoint a proxy/proxies to attend the AGM, then he/she must complete and deposit the duly completed Depository Proxy Form at the office of the Company's Singapore Transfer Agent, Boardroom Corporate & Advisory Services (Pte). Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 at least 48 hours before the time of the AGM.

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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) 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 or service providers) 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 or service providers), 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 or service providers) 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.

Mr Shen Xia and Mr Zhu Jun are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 26 April 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR SHEN XIA	MR ZHU JUN
Date of Appointment	17 May 2010	25 June 2003
Date of last re-appointment	29 April 2016	29 April 2016
Age	56	54
Country of principal residence	People's Republic of China	People's Republic of China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Shen Xia for re-appointment as an Executive Director of the Company. The Board have reviewed and concluded that Mr Shen Xia possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Zhu Jun for re-appointment as an Executive Director of the Company. The Board have reviewed and concluded that Mr Zhu Jun possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr Shen Xia is responsible for corporate finance and natural resources business operation of the Group.	Executive Mr Zhu Jun is responsible for the business development and financial matter of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Executive Director
Professional qualifications	Master Degree in Economics and Bachelor Degree in Computer Science	Master and Bachelor Degree in Economics
Working experience and occupation(s) during the past 10 years	1) From 2015 to 2018: Non-Executive Director of Huachen Mirea Assets Management Co., Ltd 2) From May 2010 to present: Executive Director of China International Holdings Limited	1) From 2003 to present: Executive Director of China International Holdings Limited

	MR SHEN XIA	MR ZHU JUN
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of Interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# Past (for the last 5 years) Present	Past: From 2015 to 2018: Non-Executive Director of Huachen Mirea Assets Management Co., Ltd Present : Nil	Past: 1) From 2005 to 2017: Director of United Energy Group Limited Present: 1) From 2012 to present: Director of Super Faith International Finance Limited 2) From 2015 to present: Director of China Goldlink Capital Ltd 3) From 2015 to present: Director of Goldlink Capital Group limited 4) From 2016 to present: Director of Goldlink Asset Management (Asia) Limited 5) From 2016 to present: Director of Goldlink Capital (HK) limited 6) From 2018 to present: Director of City Energy Holdings Ltd 7) From 2018 to present: Director of Pacific Grow Holdings Limited

	MR SHEN XIA	MR ZHU JUN
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	Nil	Nil
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	Nil	Nil
c) Whether there is any unsatisfied judgment against him?	Nil	Nil
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	Nil	Nil

	MR SHEN XIA	MR ZHU JUN
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	Nil	Nil
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	Nil	Nil
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	Nil	Nil
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	Nil	Nil

		MR SHEN XIA	MR ZHU JUN
i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	Nil	Nil
j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	Nil	Nil

	MR SHEN XIA	MR ZHU JUN
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	Nil	Yes. On 25 January 2019, the Exchange has issued a warning letter to Mr Zhu Jun in relation to breaches of Rules 884, 886 and 705 read with Appendix 7.2 of the Listing Manual.
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

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