Gemdale Properties and Investment Corporation Limited
金地商置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 535)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2017	2016	Change
	RMB'000	RMB'000	%
Revenue	**4,381,068**	8,706,669	－50
Gross profit	**1,603,972**	3,850,164	－58
Other income and gains	**755,943**	531,113	＋42
Share of results of joint ventures and associates	**1,192,752**	184,673	＋546
Profit after tax	**1,807,248**	2,004,369	－10
Profit attributable to owners of the Company	**1,643,529**	1,366,512	＋20
Earnings per share attributable to owners of the Company			
- Basic (RMB)	**0.1039**	0.0865	＋20
- Diluted (RMB)	**0.1029**	0.0864	＋19
	31 December	31 December	
	2017	2016	Change
	RMB'000	RMB'000	%
Deposits, bank and cash balances	**5,395,765**	2,892,968	＋87
Total assets	**43,668,752**	32,167,328	＋36
Net assets	**13,047,628**	11,637,397	＋12

* *For identification purpose only*

ANNUAL RESULTS

The board of directors (the "Directors") of Gemdale Properties and Investment Corporation Limited (the "Company") announces the consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2017 together with the relevant comparative figures.

Consolidated Statement of Profit or Loss

Year ended 31 December 2017

	Notes	**2017 RMB'000**	2016 RMB'000
Revenue	*3*	**4,381,068**	8,706,669
Cost		**(2,777,096)**	(4,856,505)
Gross profit		**1,603,972**	3,850,164
Direct operating expenses		**(948,062)**	(634,463)
Other income and gains	*3*	**755,943**	531,113
Changes in fair values of investment properties		**545,840**	259,825
Administrative expenses		**(82,373)**	(90,614)
Finance costs	*4*	**(316,298)**	(267,933)
Share of profits and losses of:			
Joint ventures		**1,189,781**	168,521
Associates		**2,971**	16,152
Profit before tax	*5*	**2,751,774**	3,832,765
Tax	*6*	**(944,526)**	(1,828,396)
Profit for the year		**1,807,248**	2,004,369
Attributable to:			
Owners of the Company		**1,643,529**	1,366,512
Non-controlling interests		**163,719**	637,857
		1,807,248	2,004,369
Earnings per share attributable to owners of the Company:			
- Basic (RMB)	*7*	**0.1039**	0.0865
- Diluted (RMB)	*7*	**0.1029**	0.0864

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	2017 **RMB'000**	2016 RMB'000
Profit for the year	**1,807,248**	2,004,369
Other comprehensive income/(loss)		
- Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		
Exchange differences:		
Exchange differences on translation of foreign operations	**597,880**	(543,624)
Share of exchange differences on translation of foreign operations of joint ventures	**(99,659)**	42,045
Release upon deregistration of subsidiaries	**(6,966)**	(15,378)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**491,255**	(516,957)
- Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		
Exchange differences:		
Exchange differences on translation of foreign operations	**(470,724)**	424,065
Other comprehensive income/(loss) for the year, net of tax	**20,531**	(92,892)
Total comprehensive income for the year	**1,827,779**	1,911,477
Attributable to:		
Owners of the Company	**1,682,162**	1,266,746
Non-controlling interests	**145,617**	644,731
	1,827,779	1,911,477

Consolidated Statement of Financial Position

31 December 2017

	Note	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**63,372**	70,165
Investment properties		**6,366,809**	5,100,679
Intangible assets		**48,076**	38,950
Prepayments, deposits and other receivables		**2,046,634**	1,837,588
Investments in joint ventures		**5,847,493**	2,831,381
Investments in associates		**44,658**	1,426,190
Loan to a joint venture		**25,000**	25,000
Loan to an associate		**588,078**	-
Available-for-sale financial investments		**60,045**	8,091
Deferred tax assets		**554,852**	386,655
Total non-current assets		**15,645,017**	11,724,699
CURRENT ASSETS			
Properties held for sale		**1,395,639**	1,778,062
Properties under development		**13,562,264**	10,209,008
Prepayments for acquisitions of land use rights		**241,765**	110,000
Available-for-sale financial investment		**-**	1,300,000
Trade receivables	9	**17,472**	11,500
Prepayments, deposits and other receivables		**4,139,497**	1,388,087
Loans to joint ventures		**948,397**	1,185,892
Loans to related companies		**370,000**	1,150,000
Loans to non-controlling shareholders		**41,377**	-
Due from the ultimate holding company		**-**	27
Due from fellow subsidiaries		**4,958**	2,668
Due from joint ventures		**127,702**	15,653
Due from associates		**-**	4,919
Due from non-controlling shareholders		**212,652**	48,510
Due from related companies		**564**	1,580
Prepaid tax		**410,128**	85,645
Restricted cash		**1,155,555**	258,110
Deposits, bank and cash balances		**5,395,765**	2,892,968
Total current assets		**28,023,735**	20,442,629

Consolidated Statement of Financial Position (continued)

31 December 2017

	Note	**2017** **RMB'000**	2016 RMB'000
CURRENT LIABILITIES			
Trade payables	10	**1,537,372**	1,783,744
Advanced receipts, accruals and other payables		**14,637,328**	4,349,631
Interest-bearing bank and other borrowings		**1,087,557**	615,363
Loans from the ultimate holding company		**5,240,113**	7,272,123
Loans from a fellow subsidiary		**-**	2,108,573
Loans from a non-controlling shareholder		**-**	53,010
Loans from joint ventures		**154,000**	60,000
Due to the ultimate holding company		**2,723**	73,328
Due to fellow subsidiaries		**120,158**	57,476
Due to joint ventures		**1,856,269**	1,181,231
Due to associates		**10,000**	2,242
Due to non-controlling shareholders		**100,030**	75,400
Due to a related company		**2,760**	1,046
Tax payable		**1,849,866**	2,056,150
Total current liabilities		**26,598,176**	19,689,317
NET CURRENT ASSETS		**1,425,559**	753,312
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,070,576**	12,478,011
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings		**469,199**	114,989
Loans from a fellow subsidiary		**2,593,722**	-
Deferred tax liabilities		**960,027**	725,625
Total non-current liabilities		**4,022,948**	840,614
NET ASSETS		**13,047,628**	11,637,397
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**1,438,153**	1,432,193
Reserves		**9,476,672**	8,219,426
		10,914,825	9,651,619
Non-controlling interests		**2,132,803**	1,985,778
TOTAL EQUITY		**13,047,628**	11,637,397

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain available-for-sale financial investments which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarifications of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group's subsidiary classified as a disposal group held for sale as at 31 December 2017 is a wholly-owned subsidiary and so no additional information is required to be disclosed.

2. OPERATING SEGMENT INFORMATION

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

(a) the property development segment – development and sale of residential and commercial properties;

(b) the property investment and management segment - investment and management of business parks and commercial properties; and

(c) the corporate segment - the Group's corporate management services to the residential, commercial and business park projects.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that bank interest income and finance costs are excluded from such measurement.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. No geographical segment information is presented as over 90% (2016: over 90%) of the Group's revenue is derived from customers based in Mainland China, and over 90% (2016: over 90%) of the Group's assets are located in Mainland China.

Segment assets exclude deferred tax assets, certain deposits, bank and cash balances, and prepaid tax as these assets are managed on a group basis. Segment liabilities exclude certain interest-bearing bank and other borrowings, tax payable, deferred tax liabilities, amounts due to the ultimate holding company, non-controlling shareholders, fellow subsidiaries and a related company, and loans from a fellow subsidiary as these liabilities are managed on a group basis.

During the current and prior years, there were no intersegment transactions.

Year ended 31 December 2017	Property development RMB'000	Property investment and management RMB'000	Corporate RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	3,995,866	385,202	-	4,381,068
Segment results:	2,270,693	806,479	(41,936)	3,035,236
Reconciliation				
Bank interest income				32,836
Finance costs				(316,298)
Profit before tax				2,751,774
Segment assets:	33,877,239	8,545,577	28,322	42,451,138
Reconciliation				
Other unallocated assets				1,217,614
Total assets				43,668,752
Segment liabilities:	23,343,848	542,789	19,599	23,906,236
Reconciliation				
Other unallocated liabilities				6,714,888
Total liabilities				30,621,124
Other segment information:				
Share of profits and losses of joint ventures	(996,166)	(193,615)	-	(1,189,781)
Share of profits and losses of associates	(2,971)	-	-	(2,971)
Gain on disposal/deemed disposal of subsidiaries	(53,458)	-	-	(53,458)
Changes in fair values of investment properties	-	(545,840)	-	(545,840)
Depreciation	9,459	7,243	312	17,014
Amortisation	-	8,227	-	8,227
Impairment/(reversal of impairment) of receivables, net	96,665	(145)	-	96,520
Impairment of goodwill arising on acquisition of a subsidiary	-	4,889	-	4,889
Release of exchange fluctuation reserves upon deregistration of subsidiaries	(6,966)	-	-	(6,966)
Capital expenditure*	12,134	756,910	2	769,046
Investments in joint ventures	5,020,601	826,892	-	5,847,493
Investments in associates	44,658	-	-	44,658

Year ended 31 December 2016	Property development RMB'000	Property investment and management RMB'000	Corporate RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	8,447,371	259,298	-	8,706,669
Segment results:	3,815,183	325,510	(60,122)	4,080,571
Reconciliation				
Bank interest income				20,127
Finance costs				(267,933)
Profit before tax				3,832,765
Segment assets:	25,430,253	6,223,100	17,860	31,671,213
Reconciliation				
Other unallocated assets				496,115
Total assets				32,167,328
Segment liabilities:	11,155,540	3,652,496	20,929	14,828,965
Reconciliation				
Other unallocated liabilities				5,700,966
Total liabilities				20,529,931
Other segment information:				
Share of profits and losses of joint ventures	(183,423)	14,902	-	(168,521)
Share of profit and loss of an associate	(16,152)	-	-	(16,152)
(Gain)/loss on disposal/deemed disposal of subsidiaries	(453)	42	-	(411)
Changes in fair values of investment properties	-	(259,825)	-	(259,825)
Depreciation	9,436	8,724	579	18,739
Amortisation	-	2,098	-	2,098
Impairment/(reversal of impairment) of receivables, net	47,440	212	(1)	47,651
Impairment of goodwill	-	19,235	-	19,235
Release of exchange fluctuation reserves upon deregistration of subsidiaries	(10,592)	-	(4,786)	(15,378)
Capital expenditure*	21,933	910,071	17	932,021
Investments in joint ventures	2,672,246	159,135	-	2,831,381
Investment in an associate	1,426,190	-	-	1,426,190

* *Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisitions of subsidiaries.*

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents sales of properties, gross rental income, property management fee income received and receivable from the principal activities, utility income and entrusted management fee income received from a fellow subsidiary during the year.

An analysis of revenue, other income and gains recognised during the year is as follows:

	2017	2016
	RMB'000	RMB'000
Revenue		
Sales of properties	**3,995,866**	8,447,371
Gross rental income from:		
- fellow subsidiaries	**7,025**	6,393
- third parties	**213,951**	154,620
Property management fee income		
- fellow subsidiaries	**1,133**	1,658
- third parties	**123,754**	58,807
Utility income	**14,433**	13,029
Entrusted management fee income from a fellow subsidiary	**24,906**	24,791
	4,381,068	8,706,669
Other income and gains		
Bank interest income	**32,836**	20,127
Interest income on loans to related companies	**24,942**	41,865
Interest income on loans to joint ventures	**70,113**	106,545
Interest income on loans to associates	**18,828**	4,904
Interest income on loans to third parties	**8,775**	-
Interest income from available-for-sale financial investments	**55,288**	37,594
Interest income on loans receivable	**329,951**	174,914
Release of exchange fluctuation reserves upon deregistration of subsidiaries	**6,966**	15,378
Consulting services income from:		
- fellow subsidiaries	**2,344**	-
- joint ventures	**9,198**	3,965
- third parties	**60,029**	62,737
Income of fitting out works from:		
- fellow subsidiaries	**6,913**	-
- third parties	**21,603**	765
Gain on bargain purchase from an acquisition of an associate	**-**	24,457
Net gains on disposal/deemed disposal of subsidiaries *(Note13)*	**53,458**	411
Others	**54,699**	37,451
	755,943	531,113

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 **RMB'000**	2016 RMB'000
Interest on borrowings		
- bank borrowings	**32,330**	11,951
- loans from the ultimate holding company	**277,628**	344,995
- loans from the immediate holding company	**-**	7,169
- loans from fellow subsidiaries	**93,409**	78,491
- loan from a joint venture	**1,680**	46
- loans from a non-controlling shareholder	**1,418**	1,677
- other loans and other payable	**27,066**	53,756
	433,531	498,085
Other finance costs	**2,899**	954
Total finance costs incurred	**436,430**	499,039
Less: Interest capitalised in		
- investment properties	**(16,931)**	(9,800)
- properties under development	**(103,201)**	(221,306)
	316,298	267,933

5. PROFIT BEFORE TAX

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

	2017 RMB'000	2016 RMB'000
Cost of properties sold	**2,604,232**	4,856,505
Depreciation	**23,641**	19,024
Less: Amounts capitalised in property development projects	**(6,627)**	(285)
	17,014	18,739
Amortisation of intangible assets*	**8,227**	2,098
Outgoings (including repairs and maintenance) arising on rental-earning investment properties	**36,038**	54,389
Net losses on disposal of items of property, plant and equipment	**107**	215
Net gains on disposal/deemed disposal of subsidiaries *(Note 13)*	**(53,458)**	(411)
Changes in fair values of investment properties	**(545,840)**	(259,825)
Amortisation of land use rights	**154,467**	141,826
Less: Amounts capitalised in property development projects	**(154,467)**	(141,826)
	-	-
Impairment of trade receivables, net *(Note 9)*	**315**	199
Impairment of other receivables and loans receivable, net	**96,205**	47,452
Minimum lease payments under operating leases	**24,906**	23,000
Employee benefit expense (including directors' emoluments):		
Wages and salaries	**341,471**	175,923
Share-based compensation expenses	**-**	18,301
Pension schemes contributions	**33,500**	16,324
Less: Forfeited contributions	**(2)**	(72)
Net pension schemes contributions	**33,498**	16,252
Total employee benefit expense	**374,969**	210,476
Auditor's remuneration	**3,582**	2,794
Foreign exchange differences, net	**10,947**	88
Release of exchange fluctuation reserves upon deregistration of subsidiaries *(Note 3)*	**(6,966)**	(15,378)
Gain on bargain purchase from acquisition of an associate**	**-**	(24,457)
Impairment of goodwill arising on acquisition of subsidiaries***	**4,889**	19,235

* The amortisation of intangible assets is included in "Direct operating expenses" in the consolidated statement of profit or loss.

** Gain on bargain purchase from acquisition of an associate is included in "Other income and gains" in the consolidated statement of profit or loss. The amount arose from the acquisition of a 74% equity interest of 廣州廣電房地產開發集團有限公司 and represented the excess of the Group's share of fair value of the identifiable assets and liabilities acquired over the cost of investment of RMB1,386,020,000.

*** The impairment of goodwill is included in "Administrative expenses" in the consolidated statement of profit or loss.

6. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2016: Nil). Taxation on Mainland China profits was calculated on the estimated assessable profits for the year at the rates of tax prevailing in the jurisdiction in which the Group operates.

The provision for land appreciation tax ("LAT") has been estimated according to the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

The amount of tax charge in the consolidated statement of profit or loss represents:

	2017	2016
	RMB'000	RMB'000
Current – Hong Kong	**-**	-
Current – Mainland China		
Charge for the year	**455,278**	929,790
Under provision in prior years	**488**	404
LAT in Mainland China	**432,376**	1,104,502
Deferred	**56,384**	(206,300)
	944,526	1,828,396

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) **Basic earnings per share**

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 15,813,616,233 (2016: 15,793,467,827) in issue during the year.

(b) **Diluted earnings per share**

The calculation of the diluted earnings per share is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2017	2016
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**1,643,529**	1,366,512

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**15,813,616,233**	15,793,467,827
Effect of dilution - weighted average number of ordinary shares:		
Share options	**162,372,173**	21,818,060
	15,975,988,406	15,815,285,887

8. DIVIDEND

	2017	2016
	RMB'000	RMB'000
Proposed final dividend – RMB0.025 (2016: RMB0.02) per ordinary share	**396,543**	315,869

At the Board meeting held on 16 March 2018, the Board resolved to recommend the payment of a final dividend of RMB0.025 per share for the year ended 31 December 2017. The proposed final dividend is not reflected as dividend payable in the consolidated financial statements until it is approved by the shareholders at the forthcoming annual general meeting of the Company.

9. TRADE RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Trade receivables	**18,392**	12,105
Impairment	**(920)**	(605)
	17,472	11,500

Trade receivables represent sales proceeds in respect of sold properties, and rental and property management fee receivables. Sales proceeds in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Rental and property management fee receivables are billed in advance and are payable by tenants/residents upon receipts of billings within an average credit term of one month.

Under normal circumstances, the Group does not grant credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are regularly reviewed by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing and unsecured.

An aging analysis of the trade receivables as at the reporting date, based on the invoice date and net of provisions, is as follows:

	2017 **RMB'000**	2016 RMB'000
Within 1 month	**15,867**	8,503
1 to 3 months	**158**	282
Over 3 months	**1,447**	2,715
	17,472	11,500

The movements in provision for impairment of trade receivables are as follows:

	2017 **RMB'000**	2016 RMB'000
At 1 January	**605**	406
Impairment losses recognised *(Note 5)*	**715**	201
Impairment losses reversed *(Note 5)*	**(400)**	(2)
At 31 December	**920**	605

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB920,000 (2016: RMB605,000) with a carrying amount before provision of RMB920,000 (2016: RMB605,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and the receivables are not expected to be recovered.

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	RMB'000	RMB'000
Neither past due nor impaired	**15,555**	8,387
Less than 1 month past due	**558**	398
1 to 3 months past due	**-**	840
More than 3 months past due	**1,359**	1,875
	17,472	11,500

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. TRADE PAYABLES

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

	2017	2016
	RMB'000	RMB'000
Within 1 month	**1,237,830**	1,433,849
1 to 3 months	**76,524**	255,809
Over 3 months	**223,018**	94,086
	1,537,372	1,783,744

Trade payables are non-interest-bearing and are normally settled within an average term of one month.

11. BUSINESS COMBINATIONS

The Group acquired one company in Mainland China in the current year for the expansion of property management business and three companies in Mainland China in the prior year for the expansion of property development and leasing businesses. Details of the acquisitions are as follows:

A wholly-owned subsidiary of the Company entered into a sale and purchase agreement and a supplementary sale and purchase agreement in August 2016 and in December 2016 respectively with two independent third parties to acquire 90% interest in the shares of 上海芸綺物業管理有限公司 (Shanghai Yunqi Property Management Limited*) ("Yunqi") at an aggregate cash consideration of RMB11,857,000. The acquisition was completed in January 2017. Yunqi is engaged in property management in Mainland China.

On 2 August 2016, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with six independent third parties to acquire a 100% interest in the shares of 武漢市美好家園物業管理有限責任公司 (Wuhan City Meihao Jiayuan Property Management Limited*) ("Meihao Jiayuan") at a consideration of RMB19,000,000. Meihao Jiayuan is engaged in property management in Mainland China.

On 4 August 2016, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with three independent third parties to acquire a 90% interest in the shares of 山東凱瑞物業服務有限公司(Shandong Kairui Property Management Limited*) ("Kairui") at a consideration of RMB24,750,000. Kairui is engaged in property management in Mainland China.

On 8 August 2016, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire a 100% interest in the shares of Key Dragon Holdings Limited (“Key Dragon”) at a consideration of RMB110,500,000. The acquisition was completed in October 2016. Key Dragon is engaged in investment holding of certain joint ventures whose principal activity is property leasing in Mainland China.

* *For identification purpose only*

The fair values of the identifiable assets and liabilities of the acquired companies as at the dates of acquisitions are as follows:

	Fair value recognised on acquisition			
	2017	2016		
	Yunqi	Meihao Jiayuan	Kairui	Key Dragon
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and machinery	**147**	144	874	-
Investments in joint ventures	**-**	-	-	110,500
Property management contracts	**17,353**	18,068	22,980	-
Trade receivables	**1,396**	285	4,516	-
Prepayments, deposits and other receivables	**3,711**	1,673	1,446	-
Due from a shareholder	**-**	-	20,063	-
Bank balances	**7,869**	4,659	633	-
Trade payables	**(1,437)**	-	(619)	-
Other payables	**(16,959)**	(10,483)	(7,480)	-
Interest-bearing bank borrowing	**-**	-	(20,350)	-
Deferred tax liabilities	**(4,338)**	(4,517)	(5,745)	-
Total identifiable net assets at fair value	**7,742**	9,829	16,318	110,500
Non-controlling interests	**(774)**	-	(1,632)	-
	6,968	9,829	14,686	110,500
Goodwill on acquisition	**4,889**	9,171	10,064	-
Total consideration	**11,857**	19,000	24,750	110,500
Satisfied by:				
Cash	**1,472**	11,376	19,230	55,000
Other payables	**10,385**	7,624	5,520	55,500
	11,857	19,000	24,750	110,500

The fair value and gross contractual amount of trade receivables of Yunqi as at the date of acquisition amounted to RMB1,396,000. The fair value and gross contractual amount of other receivables of Yunqi as at the date of acquisition amounted to RMB3,693,000. No receivables were expected to be uncollectible.

The fair values and gross contractual amounts of trade receivables of Meihao Jiayuan and Kairui as at the dates of acquisitions amounted to RMB285,000 and RMB4,516,000, respectively. The fair values and gross contractual amounts of deposits and other receivables of Meihao Jiayuan and Kairui as at the dates of acquisitions amounted to RMB1,470,000 and RMB1,064,000, respectively. The fair value and gross contractual amount of the amount due from a shareholder of Kairui as at the date of acquisition amounted to RMB20,063,000. No receivables are expected to be uncollectible.

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	2017	2016		
	Yunqi	Meihao Jiayuan	Kairui	Key Dragon
	RMB'000	RMB'000	RMB'000	RMB'000
Cash consideration	**(1,472)**	(11,376)	(19,230)	(55,000)
Bank balances acquired	**7,869**	4,659	633	-
Net inflow/(outflow) of cash and cash equivalents included in cash flow from investing activities	**6,397**	(6,717)	(18,597)	(55,000)

Since the acquisition, Yunqi contributed RMB43,117,000 to the Group's revenue for the year ended 31 December 2017 and loss of RMB7,992,000 to the Group's consolidated profit for the year ended 31 December 2017. Had the combination taken place at the beginning of the year, the revenue and the consolidated profit of the Group for the year would have been no material change as the completion of the combination was close to the beginning of the year.

Since the acquisition, Meihao Jiayuan, Kairui and Key Dragon contributed RMB6,666,000, RMB18,664,000 and nil, respectively, to the Group's revenue for the year ended 31 December 2016 and loss of RMB2,693,000, RMB2,617,000 and RMB6,319,000, respectively, to the Group's consolidated profit for the year ended 31 December 2016. Had the combination taken place at the beginning of the prior year, the revenue of the Group and the consolidated profit of the Group for the prior year would have been RMB8,756,139,000 and RMB1,971,966,000, respectively.

12. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 6 February 2017, a wholly-owned subsidiary of the Company acquired a 100% equity interest in 上海志韜汽車零部件有限公司 (Shanghai Zhitao Motor Components Company Limited*) ("Zhitao"), from two independent third parties, at an aggregate cash consideration of RMB194,454,000. Zhitao is engaged in property development in Mainland China.

On 28 July 2017, a wholly-owned subsidiary of the Company acquired a 100% equity interest in 裕新（上海）電子有限公司 (Yuxin Shanghai Electronic Company Limited*) ("Yuxin"), from an independent third party, at a cash consideration of RMB81,926,000. Yuxin is engaged in property development in Mainland China.

On 24 August 2017, a wholly-owned subsidiary of the Company acquired a 100% equity interest in 上海利爾新材料有限公司 (Shanghai Lier Modern Material Company Limited*) ("Lier"), from an independent third party, at a cash consideration of RMB86,575,000. Lier is engaged in property development in Mainland China.

On 21 January 2016, a wholly-owned subsidiary of the Company acquired an 85% equity interest in 上海信能度爾信息科技有限公司 (Shanghai Xinneng Duer Information Technology Company Limited*) ("Xinneng"), from an independent third party, at a cash consideration of RMB166,600,000. Xinneng and its subsidiary (together "Xinneng Group") are engaged in property development in Mainland China.

The above transactions were accounted for as purchase of assets and liabilities rather than business combinations because the acquired subsidiaries have not carried out any significant business transactions prior to the dates of acquisitions. The net outflow of cash and cash equivalents from the acquisitions has been reflected in the consolidated statement of cash flows as part of the cash flow movement of the individual assets and liabilities acquired.

* *For identification purpose only*

The net assets acquired in the above acquisitions are as follows:

	2017			2016
	Zhitao	**Yuxin**	**Lier**	Xinneng Group
	RMB'000	**RMB'000**	**RMB'000**	RMB'000
Property, plant and machinery	-	`	**-**	1
Deferred tax assets	-	**-**	**40**	-
Investment properties	**189,663**	**82,846**	**61,518**	-
Properties under development	-	**-**	**-**	191,940
Prepayments, deposits and other receivables	-	**-**	**6,663**	745
Due from a shareholder	**-**	**-**	**-**	7,000
Bank balances	**6,008**	**-**	**18,833**	2,704
Other payables	**(1,217)**	**(920)**	**(479)**	(6,390)
Net assets	**194,454**	**81,926**	**86,575**	196,000
Non-controlling interests	**-**	**-**	**-**	(29,400)
	194,454	**81,926**	**86,575**	166,600
Satisfied by:				
Cash	**194,454**	**81,926**	**80,483**	166,314
Other payables	**-**	**-**	**6,092**	286
	194,454	**81,926**	**86,575**	166,600

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	2017			2016
	Zhitao	**Yuxin**	**Lier**	Xinneng Group
	RMB'000	**RMB'000**	**RMB'000**	RMB'000
Cash consideration	**(194,454)**	**(81,926)**	**(80,483)**	(166,314)
Bank	**6,008**	**-**	**18,833**	2,704
Net outflow of cash and cash equivalents	**(188,446)**	**(81,926)**	**(61,650)**	(163,610)

13. DISPOSAL AND DEEMED DISPOSAL OF SUBSIDIARIES

During the current year, the Group entered into a co-operative agreement with two independent third parties during the year, pursuant to which all parties agreed to participate in capital injection in a subsidiary of the Company, 上海鑫威房地產開發有限公司 (Shanghai Xinwei Real Estate Development Co. Ltd.*) ("Xinwei"). The Group holds 60% equity interest in Xinwei and has lost control over Xinwei in the current year after the completion of the capital injection. The transaction was accounted for as a deemed disposal of a subsidiary and the 60% equity interest of Xinwei was accounted for as an investment in an associate.

The Group disposed of its entire equity interest in a wholly-owned subsidiary 深圳格林雲彩教育科技有限公司 (Shenzhen Gelin Yuncai Education and Technology Company Limited*) ("Yuncai"), to a joint venture of the Group and an independent third party, for an aggregate consideration of RMB2,000,000 during the year. After the disposal, the joint venture and the independent third party hold 90% and 10% equity interests of Yuncai respectively. The 90% equity interest in Yuncai acquired by the joint venture of the Group was accounted for as an investment in a joint venture after the disposal of the equity interest in Yuncai in August 2017.

The Group entered into a co-operative agreement with an independent third party during the year, pursuant to which the independent third party agreed to participate in capital increase in a subsidiary of the Company, 深圳美味杰爾思英語教育科技有限公司 (Shenzhen Meiwei Jieersi English Education and Technology Company Limited*) ("Jieersi"). Both parties agree to exercise joint control over Jieersi. The transaction was accounted for as a deemed disposal of a subsidiary and the Group has lost control over Jieersi after the completion of the capital increase of Jieersi in August 2017.

Due to the plan to change from property sale to property investment of the development direction of a PRC property held by a wholly-owned subsidiary of a subsidiary of the Company, 上海信能度爾信息科技有限公司 (Shanghai Xinneng Duer Information Technology Company Limited*) ("Xinneng"), the Group entered into a co-operative agreement with a non-controlling shareholder of Xinneng during the year. Pursuant to the agreement, the Group and the non-controlling shareholder agreed to exercise joint control over Xinneng. It was accounted for as a deemed disposal of subsidiaries and the Group has lost control over Xinneng and its subsidiary (together "Xinneng Group") after the completion of registration of the change with the municipal government in October 2017.

During the prior year, the Group disposed of its entire equity interest in上海鑫磬投資有限公司 (Shanghai Xinqing Investment Co. Ltd.*) ("Xinqing") to an independent third party, for a consideration of RMB500,000. Xinqing holds a 70% equity interest of a project company, which is engaged in property development in Mainland China. The remaining 30% equity interest of the project company is held by another wholly-owned subsidiary of the Company and it was accounted for as an investment in a joint venture after the disposal of the equity interest in Xinqing.

The Group also entered into a cooperative agreement with an independent third party in the prior year, pursuant to which both parties agreed to exercise joint control over a wholly-owned subsidiary of the Company, 深圳市新威尚達投資有限公司 (Shenzhen City Xinwei Shangda Investment Co. Ltd.*) ("Shangda"). The transaction was accounted for as a deemed disposal of a subsidiary and the Group has lost control over Shangda in the prior year.

* *For identification purpose only*

Details of the net assets disposed of are as follows:

	2017				2016	
	Xinwei RMB'000	Yuncai RMB'000	Jieersi RMB'000	Xinneng Group RMB'000	Xinqing RMB'000	Shangda RMB'000
Property, plant and equipment	-	-	2,954	294	19	-
Deferred tax assets	1,090	101	1,755	4,851	214	-
Prepayment for acquisition	-	-	-	-	-	1,005,000
of a land use right						-
Properties under development	1,784,511	-	-	255,646	891,516	-
Due from the ultimate holding company	-	-	-	-	400	-
Due from a shareholder	10,000	-	-	-	6,000	-
Prepayments, deposits and	22,980	3,171	1,820	7,650	852	30
other receivables				-		
Prepaid tax	20,292	-	-	-	-	-
Restricted cash	-	-	-	-	19,766	-
Bank balances	90,972	1,236	833	18,600	860	54
Trade payables	(775)	-	(309)	(358)	-	-
Advanced receipts, accruals and other payable	(1,924,722)	(2,810)	(5,003)	(4,709)	(497)	(502,500)
Loans from the ultimate holding company	-	-	-	-	(53,704)	-
Loans from fellow subsidiaries	-	-	-	-	(852,167)	-
Loan from an intermediate holding company	-	-	-	(101,900)	-	-
Due to the ultimate holding company	-	-	-	-	-	(502,500)
Due to an intermediate company	-	-	(833)	(2,305)	-	-
Due to fellow subsidiaries	-	-	-	-	(7,404)	-
Net assets	4,348	1,698	1,217	177,769	5,855	84
Non-controlling interests	-	-	-	(26,665)	-	-
	4,348	1,698	1,217	151,104	5,855	84
Fair value of investments retained upon disposal/deemed disposal to investments in an associate/ joint ventures	(56,144)	-	(2,796)	(171,062)	(5,808)	(42)
Unrealised gain on disposal	-	177	-	-	-	-
Gain/(loss) on disposal/deemed disposal of subsidiaries	31,796	125	1,579	19,958	453	(42)
Capital contribution to the associate/ Total consideration	(20,000)	2,000	-	-	500	-
Satisified by:						
Cash	(20,000)	2,000	-	-	500	-

An analysis of the net (outflow)/inflow of cash and cash equivalents in respect of the disposal and deemed disposal of subsidiaries is as follows:

	2017				2016	
	Xinwei RMB'000	Yuncai RMB'000	Jieersi RMB'000	Xinneng Group RMB'000	Xinqing RMB'000	Shangda RMB'000
Capital contribution to the associate/ Cash consideration	(20,000)	2,000	-	-	500	-
Bank balances disposed of	(90,972)	(1,236)	(833)	(18,600)	(860)	(54)
Net (outflow)/inflow of cash and cash equivalents in respect of the disposal/deemed disposal of subsidiaries	(110,972)	764	(833)	(18,600)	(360)	(54)

FINANCIAL REVIEW

The accounting policies and methods of computation used in the preparation of the financial statements for the year ended 31 December 2017 were consistent with those used in the last financial year ended 31 December 2016, except that the Group has applied, for the first time, the revised Hong Kong Financial Reporting Standards ("HKFRSs", which included all HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by Hong Kong Institute Certified Public Accountants which are effective for the Group's financial year beginning on or after 1 January 2017.

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The revenue of the Group for the year ended 31 December 2017 decreased to RMB4,381.1 million from RMB8,706.7 million for the year ended 31 December 2016. The decrease was primarily due to lower revenue recognised from sales of properties.

Other income and gains increased to RMB755.9 million for the year ended 31 December 2017 from RMB531.1 million for the year ended 31 December 2016. The increase was mainly due to higher interest income of RMB155.0 million from loans receivable and RMB17.7 million from available-for-sale financial investments during the year. In addition, the Group disposed of certain subsidiaries during the current year with a gain of RMB53.5 million.

The fair value gains of investment properties of RMB545.8 million was reported for the year ended in 31 December 2017, against RMB259.8 million for the year ended 31 December 2016.

The Group's direct operating expenses for the year ended 31 December 2017 increased to RMB948.1 million from RMB634.5 million for the year ended 31 December 2016. During the second half of 2016 and the current year, more PRC property development projects launched the pre-sales, and a number of property development and property management subsidiaries were set up/acquired leading to higher operating expenses incurred.

The Group's administrative expenses for the year ended 31 December 2017 decreased to RMB82.4 million from RMB90.6 million for the year ended 31 December 2016, mainly due to the decrease in share-based compensation expenses.

The finance costs went up to RMB316.3 million for the current year from 267.9 million for the year ended 31 December 2016, an increase of RMB48.4 million, including interest on bank and other borrowings increased by RMB22.6 million due to several borrowings arranged for property acquisition and general working capital of the Group during the current year, and higher interest expenses (net of capitalised interest) of RMB15.6 million paid to the group companies.

Share of results of joint ventures and associates of the Group reported an aggregate profit of RMB1,192.8 million for the year ended 31 December 2017, against RMB184.7 million for the last year. The increase was mainly due to increase in revenue recognition from sales of properties of joint ventures in Beijing and Shenzhen, the PRC.

Overall, the Group's profit attributable to owners of the Company increased from RMB1,366.5 million for the year ended 31 December 2016 to RMB1,643.5 million for the year ended 31 December 2017. It was mainly due to the increase in share of profits of joint ventures during the current year. The increase in the profits from joint ventures was partially offset by the increase in direct operating expenses and finance costs.

The Group recorded basic earnings per share of RMB0.1039 for the year ended 31 December 2017, against basic earnings per share of RMB0.0865 for the year ended 31 December 2016, representing an increase of 20%. The diluted earnings per share for the current year and the prior year were RMB0.1029 and RMB0.0864 respectively.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.025 per share (2016: RMB0.02 per share) for the year ended 31 December 2017, subject to shareholders' approval at the forthcoming annual general meeting of the Company. The proposed final dividend, if approved, will be paid on or about 15 June 2018 to shareholders whose names appear on the register of members of the Company on 1 June 2018. The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars ("HK$"). The final dividend payable in HK$ will be converted from RMB at the average middle rate of RMB to HK$ as announced by the People's Bank of China for the period from 10 May 2018 to 16 May 2018.

BUSINESS SEGMENTS

Property development

For the year ended 31 December 2017, the revenue of property development segment substantially decreased to RMB3,995.9 million, representing 91% of the total revenue, compared with RMB8,447.4 million, representing 97% of the total revenue for the year ended 31 December 2016. Revenue for the current year was mainly come from the sales of properties of Shanghai Shanshui Four Seasons, Hangzhou Jindu North Road, Shenyang Yijing and Shenyang Yuefang. The decrease in revenue mainly due to reduction in sales recognition of Shanghai Four Seasons. The profit in the property development segment during the current year decreased to RMB2,270.7 million, against RMB3,815.2 million for the previous year. The decrease in segment results was mainly due to profit reduced from Shanghai Shanshui Four Seasons project which partially offset by higher profit shared from joint ventures in the current year.

Property investment and management

The revenue earned by the property investment and management segment for the year ended 31 December 2017 increased from RMB259.3 million, representing 3% of the total revenue for the year ended 31 December 2016, to RMB385.2 million representing 9% of the total revenue. The increase in the revenue for the current year was mainly contributed by higher property management fee income of RMB70.7 million from the new acquired property management subsidiaries. During the year under review, the property investment and management segment recorded a profit of RMB806.5 million, including fair value gains of investment properties of RMB545.8 million and share of profits from joint ventures of RMB193.6 million which mainly resulted from fair value gains of investment properties, compared with the segment profit of RMB325.5 million for the corresponding period, including fair value gains of investment properties of RMB259.8 million.

SHAREHOLDERS' FUNDS

The Group's total shareholders' funds increased from RMB9,651.6 million as at 31 December 2016 to RMB10,914.8 million as at 31 December 2017. The increase was contributed by profit attributable to owners of the Company for the current year of RMB1,643.5 million which was partially offset by the final dividend declared for the year ended 31 December 2016 of RMB315.9 million. On a per-share basis, the consolidated net asset value attributable to owners of the Company as at 31 December 2017 increased by RMB0.077 or 13% to RMB0.688, against RMB0.611 as at 31 December 2016. The total shareholders' funds constituted approximately 25% of the total assets of RMB43,668.8 million as at 31 December 2017, against 30% of the total assets of RMB32,167.3 million as at 31 December 2016.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Liquidity and capital resources

The Group's deposits, bank and cash balances increased by 87% to RMB5,395.8 million as at 31 December 2017 from RMB2,893.0 million as at 31 December 2016. The increase was mainly from the proceeds from properties sales and new bank borrowings, netting off with cash applied to land acquisitions, payment of development costs of PRC property projects, repayments of loans from the ultimate holding company, payment of final dividend as well as acquisition/set up of joint ventures and associates.

Borrowings

As at 31 December 2017, total bank and other borrowings of the Group was RMB1,556.8 million with interest rates ranging from 3.1% to 4.3% per annum. The Group arranged two short-term bank loan facilities, one long-term bank loan facility and one long-term other borrowing totally amounting to RMB1,015.6 million during the current year for property acquisition and general working purpose. Meanwhile, the Group fully repaid two 1-year term loan facilities, totally approximately RMB140.7 million.

The net debt (measured by total borrowings minus cash and bank deposits excluding restricted cash) decreased by RM3,182.3 million to RMB4,148.8 million as at 31 December 2017 from RMB7,331.1 million as at 31 December 2016. The decrease in net debt was mainly due to more cash received from sale of properties during the year. The Group's net debt ratio (defined as net debt over total equity, including non-controlling interests) decreased to 32% as at 31 December 2017, from 63% as at 31 December 2016.

The maturity profiles of the Group's outstanding borrowings as at 31 December 2017 and 31 December 2016 are summarised below:

	As at	
	31 December 2017	31 December 2016
	RMB'000	RMB'000
Short-term and long-term bank and other borrowings:		
Within the first year or on demand	**1,087,557**	615,363
In the second year	**163,434**	2,078
In the third to fifth years, inclusive	**115,632**	112,911
Over five years	**190,133**	-
	1,556,756	730,352
Loans from related parties:		
Within the first year or on demand	**5,394,113**	9,493,706
In second year	**2,593,722**	-
	7,987,835	9,493,706
Total borrowings	**9,544,591**	10,224,058

FINANCIAL MANAGEMENT

Foreign currency risk

As at 31 December 2017, borrowings were denominated in United States dollars ("US$"), RMB and HK$. The Group mainly operates in the Mainland China and most of the transactions, assets and liabilities are denominated in RMB. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against HK$ and US$. Moderate depreciation of RMB against HK$ and US$ was expected, the Group considered the foreign currency risk exposure is acceptable. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

The currency denominations of the Group's outstanding borrowings as at 31 December 2017 and 31 December 2016 are summarised below:

	As at	
	31 December 2017	31 December 2016
	RMB'000	RMB'000
HK$	**3,352,612**	2,573,201
RMB	**5,394,113**	7,395,133
US$	**797,866**	255,724
Total	**9,544,591**	10,224,058

Interest rate risk

As at 31 December 2017, 72% of borrowings of the Group were on a floating rate basis (2016: 67%). However, the interest rate risk exposure was considered acceptable and no hedging was considered necessary. The Group will continue to monitor the suitability and cost efficiency of hedging instrument (including interest rates swaps) and consider a mix of fixed and floating rate borrowings in order to manage interest rate risk.

PLEDGE OF ASSETS

At 31 December 2017, an investment property and a property held for sale of the Group with a carrying value of RMB196,745,000 (2016: RMB183,969,000) and RMB303,918,000 (2016: Nil) respectively were pledged to secure other borrowings granted to the Group.

CONTINGENT LIABILITIES

(a) As at 31 December 2017, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 31 December 2017, the Group's outstanding guarantees amounted to RMB3,148,594,000 (2016: RMB639,580,000).

The Directors consider that the fair value of the guarantees is not significant and in case of defaulting payments, the net realisable value of the related properties will be sufficient to cover the outstanding mortgage principals, the accrued interest and penalty. Therefore, no provision has been made in the financial statements for the year ended 31 December 2017 (2016: Nil) for these guarantees.

(b) At the end of the reporting period, a maximum guarantee of US$70,950,000 (equivalent to RMB463,601,000) (31 December 2016: US$70,950,000 (equivalent to RMB492,180,000)) was borne by the Group to a group of financial institutions for a facility granted to a joint venture of the Group in the United States of America. As at 31 December 2017, the facility of RMB463,601,000 (31 December 2016: RMB414,641,000) guaranteed by the Group to a joint venture was utilised.

REVIEW OF OPERATIONS

Land Bank

The management of the Group believes that owning a sizable and quality land bank is one of the most important factors for a property developer to be successful. Timing for acquisition of land bank at competitive pricing is the core successful factor of the Group.

In 2017, the Group has significantly increased its land bank with a projected gross floor ("GFA") of approximately 13.71 million square meters, under which approximately 21% were located in first tier cities – Beijing, Guangzhou, Shanghai and Shenzhen, and approximately 71% were located in second tier cities which includes Wuhan, Changsha, Kunming, Kunshan, Nanjing, Qingdao, etc, as well as 8% being located in third tier cities including Huaian, Taicang and Taiyuan.

Land acquisition in 2017

In 2017, the Group acquired interests in a total of 25 new projects in the PRC, with total planned GFA of approximately 4,061,000 square meters, out of which 1,878,000 square meters were attributable to the Group's equity interests. Total consideration for the land acquisition in 2017 amounted to approximately RMB30,993 million, out of which RMB12,411 million were payable by the Group according to its equity interests in relevant projects. Based on the Group's attributable GFA acquired and its attributable acquisition considerations, the Group's average land acquisition cost in 2017 was approximately RMB6,600 per square meter.

Segment Information

Properties sales and development

With more available properties for sale and the Group's high quality residential/commercial projects continued to attract medium to high income level end-users as well as various property projects of the Group located in developed cities, such as Beijing, Ningbo, Shanghai and Tianjin, achieved outstanding sales performance, the sales performance was remarkable in 2017. For the year ended 31 December 2017, the aggregated contracted sales of the Group reached RMB45.28 billion with an aggregated contracted sales area of approximately 2,478,000 square meters, representing a remarkable growth of about 120% in both contracted sales amount and sales area. The average selling price during the year was approximately RMB18,300 per square meter.

Property leasing

As at 31 December 2017, Vision Shenzhen Business Park Phases 1 and 2, located in Nanshan District, Shenzhen and provides rental area of about 127,000 square meters, was 100% occupied and their rental yield and management quality were a representative project in the core area of Nanshan District. Besides, both of the Beijing Sohu.com Internet Plaza (a project 60% owned by the Group), located at Tsinghua Science Park in Zhongguancun, Haidian District, Beijing and the Bridge 8 project in Shanghai (a project 85% owned by the Group) were also 100% occupied. In addition, the Hangzhou commercial project in Hangzhou commenced operations in the second half of the year. As at 31 December 2017, this project was also nearly 100% occupied.

During the year, benefiting from the significant increase in the number of the commercial property commencing operation, the Group achieved a growth of rental/management fees revenue of more than 50% to RMB356 million for the year ended 31 December 2017.

Currently, the commercial projects under development includes Suzhou, Nanjing and Huai'an commercial complex projects, the Shanghai commercial project, Vision Shenzhen Business Park Phase 3 in Shenzhen Nanshan district as well as the five new business parks in Shanghai. Upon completion, our commercial property profolio would generate more than RMB1 billion rental income/management fees to the Group.

OUTLOOK

Looking forward to 2018, the Group would remain focus in expanding scale in terms of contracted sales and landbank accumulation in the first-tier and certain second-tier cities with fast economic growth and large population inflow. The Group would also seek potential equity merger and acquisition and cooperation opportunities at the same time. While for commercial properties, the Group would aggressively expand our business in the development of high-end business parks and construction management commercial projects which are light-asset and could enhance investment returns.

CORPORATE GOVERNANCE

The Group is committed to maintain a high standard of corporate governance with an emphasis on a quality board of directors, sound internal control, principles and practices, and transparency and accountability to all shareholders of the Company in order to optimise return for its shareholders and enhance the performance of the Group.

The Company has taken steps to adopt the principles and comply with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board has reviewed periodically the compliance of the CG Code and is of the view that throughout the year ended 31 December 2017 ("FY2017"), the Company has complied with the applicable code provisions of the CG Code, except for the following deviations:

1. Under CG Code A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of shareholders. Due to other pre-arranged business commitments which must be attended by the Directors, Mr. Loh Lian Huat, Ms. Zhang Feiyun and Mr. Hu Chunyuan were not able to attend the general meeting of the Company held on 29 May 2017.

2. Under CG Code E.1.2, the chairman of the board should attend the annual general meeting of the company. Due to other pre-arranged business commitments which must be attended by Mr. Huang Juncan, he was not able to attend the annual general meeting of the Company held on 29 May 2017.

3. Under CG Code A.1.1, board meeting should be held at least four times a year at approximately quarterly intervals. During the year, only two regular board meetings were held to review and approve the annual and interim results of the Company. The Company does not announce its quarterly results and hence does not consider the holding of quarterly meetings as necessary. Management supplied adequate and timely information to the board and the directors can make further enquiries to the senior management from time to time to ensure that they are provided with sufficient information to fulfil their directors' duties.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as amended from time to time, (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Following specific enquiries made by the Company, all Directors had complied with the required standards set out in the Model Code throughout the year. The Model Code also applies to other specified senior management of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had about 2,400 (2016: 1,613) employees. Salaries of employees are maintained at competitive levels while bonuses may be granted on a discretionary basis with reference to the performance of the Group as well as the individual's performance. Other employee benefits include mandatory provident fund, insurance and medical cover, subsidised educational and training programmes as well as a share option scheme.

The emoluments of the Directors are determined with reference to the Directors' duties, responsibilities and performance as well as the results of the Group.

SHARE OPTION SCHEMES

A share option scheme was adopted by the Company on 20 May 2003 (the "Share Option Scheme 2003") which expired on 20 May 2013 and a new share option scheme was adopted by the Company on 15 May 2013 (the "Share Option Scheme 2013") for the purpose of continuing to give incentive to, rewarding, remunerating, compensating and/or providing benefits to the Qualifying Grantees (as defined in the Share Option Scheme 2013) of the Company. Any share options which were granted under the Share Option Scheme 2003 prior to its expiry shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme 2003.

As at the date of this announcement, the total number of shares which may be issued upon exercise of all share options granted and yet to be exercised under the Share Option Scheme 2003 and the Share Option Scheme 2013 amounted to 138,220,000 and 820,666,000, respectively.

During the year, the subscription rights attaching to 5,820,000, 536,000 and 61,900,000 share options were exercised at an exercise price of HK$0.55, HK$0.792 and HK$0.44 per share respectively, and resulting in the issue of a total of 68,256,000 new shares of the Company at a nominal value of HK$0.1 each for a total cash consideration, before expenses, of HK$30,861,512. The proceeds from the exercise of share options would be applied for general working capital of the Group.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") has been established with specific written terms of reference stipulating its authorities and duties in compliance with Rule 3.21 of the Listing Rules, which are available on the websites of the Company (www.gemdalepi.com) and HKExnews (www.hkexnews.hk). The Audit Committee currently comprises Mr. Hu Chunyuan (Chairman of the committee), Mr. Hui Chiu Chung and Mr. Chiang Sheung Yee, Anthony. All Audit Committee members are independent non-executive directors of the Company.

The functions of the Audit Committee are, among other things, responsible for assisting the Board to ensure objectivity and credibility of financial reporting, including interim and final results, and that the directors have exercised the care, diligence and skills prescribed by law when presenting the Group's results to the shareholders. The Audit Committee is also responsible for assisting the Board to ensure effective risk management and internal control systems of the Group are in place and good corporate governance standards and practices are maintained within the Group and to monitor the internal and external audit functions and to make relevant recommendations to the Board to ensure effective and efficient operations and reliable reporting. The functions of the Audit Committee will be reviewed regularly by the Board and amended from time to time, as and when appropriate, in order to ensure compliance with the applicable code provisions of the CG Code (as amended from time to time). The Company has internal control procedures to ensure that the continuing connected transactions will be conducted in compliance with the Listing Rules.

The Audit Committee has reviewed with the management of the Company and Ernst & Young, the Company's auditor, the accounting principles and practices adopted by the Group and has discussed auditing, risk management and internal control as well as financial reporting matters, including the review of the annual results and report of the Company for the year ended 31 December 2017.

SCOPE OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on Wednesday, 16 May 2018, the register of members of the Company will be closed from Friday, 11 May 2018 to Wednesday, 16 May 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 10 May 2018.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2017 (subject to approval by Shareholders at the AGM), the register of members of the Company will be closed from Thursday, 31 May 2018 to Friday, 1 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 31 May 2018.

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

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.gemdalepi.com. The 2017 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
Gemdale Properties and Investment Corporation Limited
Huang Juncan
Chairman and Executive Director

Hong Kong, 16 March 2018

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ling Ke, Mr. Huang Juncan, Mr. Xu Jiajun and Mr. Wei Chuanjun; two non-executive Directors, namely Mr. Loh Lian Huat and Ms. Zhang Feiyun and three independent non-executive Directors, namely Mr. Hui Chiu Chung, Mr. Chiang Sheung Yee, Anthony and Mr. Hu Chunyuan.