建業地產股份有限公司
Central China Real Estate Limited

25th
1992-2017

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 0832.HK

Annual Report 2017

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Mr. Liu Weixing (appointed on 24 March 2017)
Ms. Yan Yingchun

Non-executive Directors

Mr. Lucas Ignatius Loh Jen Yuh *(Vice-chairman)*
Mr. Puah Tze Shyang
Ms. Wu Wallis (alias Li Hua)

Independent Non-executive Directors

Mr. Cheung Shek Lun
Mr. Xin Luo Lin
Mr. Muk Kin Yau (resigned on 1 January 2018)
Dr. Sun Yuyang (appointed on 8 January 2018)

BOARD COMMITTEES

Audit Committee

Mr. Cheung Shek Lun *(Chairman)*
Mr. Xin Luo Lin
Mr. Lucas Ignatius Loh Jen Yuh

Remuneration Committee

Mr. Xin Luo Lin *(Chairman)*
Mr. Wu Po Sum
Mr. Cheung Shek Lun

Nomination Committee

Mr. Wu Po Sum *(Chairman)*
Mr. Cheung Shek Lun
Mr. Xin Luo Lin

CHIEF EXECUTIVE OFFICER

Mr. Chen Jianye (resigned on 24 March 2017)
Mr. Yuan Xujun (appointed on 24 March 2017)

COMPANY SECRETARY

Mr. Kwok Pak Shing (resigned on 26 June 2017)
Mr. Deng Ren Yu (appointed on 10 July 2017 and resigned on 30 September 2017)
Mr. Yeung Wai Leung (appointed on 27 October 2017)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Block E, Jianye Office Building
Nongye East Road, Zhengzhou City
Henan Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 7701B-7702A
77th Floor, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House,
24 Shedden Road, P.O. Box 1586,
Grand Cayman, KY1-1110, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East,
Wanchai, Hong Kong

Corporate Information (Continued)

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China (Asia) Limited

LEGAL ADVISERS
As to Hong Kong Law
Li & Partners

As to Cayman Islands Law
Conyers Dill & Pearman (Cayman) Limited

INDEPENDENT AUDITORS
KPMG
Certified Public Accountants

WEBSITE OF THE COMPANY
www.jianye.com.cn

SHAREHOLDERS' INFORMATION
Share listing
The company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited

Ordinary Shares (as at 31 December 2017)
Shares outstanding	:	2,449,262,560 shares
Nominal value	:	HK$0.10 per share

INVESTOR RELATIONS CONTACT
Email address	:	ir@centralchina.com

HEAD OF INVESTOR RELATIONS & CHIEF INVESTMENT OFFICER
Mr. Mai Vinh

FINANCIAL CALENDAR
2017 annual results announcement	:	12 March 2018
Book closure period (for determining shareholders' eligibility to attend and vote at the annual general meeting (the "2018 AGM"))	:	16 April 2018 to 19 April 2018 (both days inclusive)
2018 AGM	:	19 April 2018

Corporate Profile

Yanling Jianye The Mist Hot Spring Hotel

Corporate Profile

Central China Real Estate Limited (hereinafter referred to as "CCRE" or the "Company", together with its subsidiaries hereinafter referred to as the "Group") was incorporated in the Cayman Islands on 15 November 2007 as an exempt company with limited liability, the shares of which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 June 2008. The Group has been granted the "First Class Honor of Real Estate Developer" in the People's Republic of China (the "PRC" or "China").

The Company has been committed to the development of branded properties as its principal activity since its establishment. Over 25 years, we have continued to guide residents to new exposures in lifestyle through our articulately crafted architectural masterpieces in honour of our core value of "Taking Root in Central China and Contributing to Society." The Company is of the view that enterprises relate to society in the same way as trees relate to the earth. When we establish our presence in a city, we cooperate with our local peer developers to contribute to the local community by improving the standards of construction, increasing tax collections for local governments and creating job opportunities. Our relentless efforts in driving the urbanisation process and promoting the economic and social growth in Henan Province have won the accolades of government authorities, professionals, peers, investors, customers and our employees.

Jianye Foodcourt

Xinxiang U-Town

The Company positions itself as a facilitator of urbanisation and all-round social progress for Henan Province. Having taken root in Henan Province for 25 years, we are resolute as ever in our vision and mission of "building quality houses for the people of Henan". With the development of housing complexes such as "Forest Peninsula", "U-Town", "Code One City", "Sweet-Scented Osmanthus Garden", "Jianye Eighteen Cities" and "New Asia", we have improved the standard of residential housing in various cities in the Henan Province. In addition, the launch of light-asset model of the Company has secured synergetic effect with its property development business, making important contributions to the urbanisation process of the province. Meanwhile, the Company endeavours to construct a "tailor-made" mega service regime by integrating internal and external resources, such as property, hotel, commerce, green house and other services, with a view to activating the "New Blue Ocean Strategy" and transforming the Company from an urban complex developer to a new lifestyle services provider for urban residents.

The Company is firmly committed to its philosophy of "providing customers with zero-defect products and first-rated services". In addition, we apply concepts of scientific decision-making, management standardisation and operation professionalisation in our business management to ensure the quality of our products and services.

Sky Mansion

In its persistent professional pursuit of premium residential housing development over the past 25 years, the Company has fostered a "CCRE model" focused on provincial and regional development, created a brand name well trusted for social responsibility, groomed a high calibre management team, given substance to the corporate philosophy of "perseverance for excellence" and embarked on a development cycle of "ongoing profitability and stable growth".

As of now, the Company has established its presence in Henan Province's 18 prefecture-level cities and 64 countylevel cities. As at 31 December 2017, the Company had completed development projects with an accumulated aggregate gross floor area ("GFA") of approximately 22.27 million square metres ("sq. m.") and owned 65 projects, total GFA under development of approximately 8.42 million sq. m. and land reserves GFA of approximately 31.88 million sq. m., including beneficially interested GFA of approximately 24.25 million sq. m.. During the reporting period, GFA measured approximately 5.87 million sq. m. for newly commenced projects.

Corporate Profile (Continued)

Yanling Jianye The Mist Hot Spring Hotel

In line with its corporate culture underpinned by "honesty, responsibility, integrity and focus", a state of business featuring a high level of integration between "economic and social benefits, material and spiritual pursuits, corporate and staff interests, strategic objectives and execution process" is coming into shape.

The Company was among the "2017 Top 50 Chinese Property Developers" in the "2017 Assessment Report on Top 500 Chinese Property Developers" published on 22 March 2017 and topped the list of "Top 10 Chinese Property Developers in Regional Operations" for nine consecutive years in a row. According to the Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2017 published on 25 May 2017, the Company ranked 26th on the "China Real Estate Listed Company Ranking List" and ranked 4th among the listed property companies in China in terms of operations performance. With a brand value of RMB11.146 billion, CCRE ranked 28th among the "2017 Top 50 China Real Estate Developers Brand Value" published on 13 September 2017.

Turning dreams into reality, golden age coming along. The Company adheres to its corporate philosophy of "Perseverance for Excellence" and its core value of "Taking Root in Central China and Contributing to Society". The Company remains committed to making contributions to the development of the real estate industry and the private economic sector, as well as the strengthening of the nation and the prosperity of the country.

Corporate Profile (Continued)

PROJECTS OVERVIEW

As at 31 December 2017, the Company had 163 projects completed and under development, covering Henan Province's 18 prefecture-level cities and 64 county-level cities.

Zhengzhou
1 Blossom Garden
2 Champagne Garden
3 City Garden
4 Code International Garden
5 Code One City
6 Code Two City
7 Forest Peninsula
8 Gongyi Code One City
9 Gongyi Spring Time
10 Jianye Huayi Brothers Film Culture Town
11 Jinshui Garden
12 Jianye Square
13 Jiuru House
14 Landmark
15 Maple Garden
16 New World • Sweet-Scented Osmanthus Garden
17 Shangjie Forest Peninsula
18 Spring Time
19 St. Andrews
20 Canal Courtyard
21 The Five Buildings
22 Sky Mansion
23 Tihome Jianye International City
24 Triumph Plaza
25 U-Town
26 Wisdom Port
27 Wulong Century New City
28 Xiangsheng Garden
29 Zhengxi U-Town
30 Intelligent Palace
31 Xuhui Zhengrong Grand Mansion
32 Xinmi Code One City
33 Lvbo Garden Project (project name to be confirmed)
34 Baisha Project (project name to be confirmed)
35 Dengfeng Project (project name to be confirmed)
36 Xinzheng Project (project name to be confirmed)

Kaifeng
37 Chrysanthemum Garden
38 Dongjingmenghua

Luoyang
39 Code One City
40 Forest Peninsula
41 Gentlest Lake
42 Golf Garden
43 Huayang Square
44 Sweet-Scented Osmanthus Garden
45 Triumph Plaza
46 Wisdom Port
47 Yanshi Forest Peninsula
48 Huayang Fengdu
49 Poly Champagne International
50 Dingding House
51 Code Two City

Pingdingshan
52 Baofeng Forest Peninsula
53 Eighteen Cities
54 Forest Peninsula
55 Sweet-Scented Osmanthus Garden
56 Wugang Forest Peninsula
57 Ruzhou Sweet-Scented Osmanthus Garden

Anyang
58 Forest Peninsula
59 Guihua House
60 Huaxian Jianye Code One City
61 Sweet-Scented Osmanthus Garden
62 Tangyin Forest Peninsula
63 Jianye City
64 Linzhou CCRE Mall
65 Xinwa Road Project (project name to be confirmed)

Hebi
66 Code One City
67 Forest Peninsula
68 Sweet-Scented Osmanthus Garden

Xinxiang
69 Changyuan Forest Peninsula
70 Code One City
71 Forest Peninsula
72 Green Garden
73 U-Town
74 Jianye City
75 Beverly Manor

Jiaozuo
76 Code One City
77 Forest Peninsula
78 Central Garden
79 Xiuwu Forest Peninsula
80 Qinyang Spring Time
81 Spring Time
82 Chinoiserie House

Puyang
83 City Garden
84 Code One City
85 Jianye City
86 Sweet-Scented Osmanthus Garden
87 Jianye New City
88 Chinoiserie House
89 Puyang High-speed Railway Station Project (project name to be confirmed)

Xuchang
90 Changge Sweet-Scented Osmanthus Garden
91 Code One City
92 Forest Peninsula
93 Palladio Luxurious House
94 Yanling Eco-City
95 Yuzhou Jundu New World
96 Yanling Jianye The Mist Hot Spring Hotel
97 Jianye City
98 Chinoiserie House
99 Changge Spring Time
100 Sweet-Scented Osmanthus Garden
101 Xiangcheng Sweet-Scented Osmanthus Garden
102 Yuzhou Sweet-Scented Osmanthus Garden

Luohe
103 Code One City
104 Forest Peninsula
105 Linying Sweet-Scented Osmanthus Garden
106 Moco New World
107 Xicheng Forest Peninsula
108 Sweet-Scented Osmanthus Garden

Sanmenxia
109 Code One City
110 Forest Peninsula
111 Green Garden
112 Lakeside Square
113 Lingbao Forest Peninsula
114 New World • SOHO
115 U-Town
116 New District Forest Peninsula
117 Honour Mansion

Shangqiu
118 Eighteen Cities
119 Forest Peninsula
120 Green Garden
121 Sweet-Scented Osmanthus Garden
122 U-Town
123 Yongcheng U-Town
124 Zhecheng U-Town
125 Central Garden
126 Headquarter Port
127 Sky Mansion
128 Xingfuli

Zhoukou
129 Forest Peninsula
130 Huaiyang Sweet-Scented Osmanthus Garden
131 Luyi Jianye City
132 Luyi Mingdao City
133 Shenqiu Jianye City
134 Xihua Jianye City
135 Landmark
136 Xiangcheng Spring Time

Zhumadian
137 Eighteen Cities
138 Forest Peninsula
139 Suiping Forest Peninsula
140 Xiping Forest Peninsula
141 Gushi Jianye City
142 Xincai CCRE Mall
143 The West Lake Villa
144 Zhengyang Jianye City
145 Pingyu Jianye City
146 Ru'nan Jianye City

Nanyang
147 Code One City
148 Forest Peninsula
149 Green Garden
150 Taohua Island
151 Triumph Plaza
152 Shilihushan

Xinyang
153 Code One City
154 Forest Peninsula
155 Jianye City
156 South Lake No.1
157 U-Town

Jiyuan
158 Code One City
159 Forest Peninsula
160 New World • Pedestrian Street
161 U-Town
162 Code One City-North Terrace

Sanya
163 Sanya Hongtangwan Project (project name to be confirmed)

Dongjingmenghua

CORPORATE HONOURS

March 2017

On 22 March 2017, the Company was among the "2017 Top 50 Chinese Property Developers" in the "2017 Assessment Report on Top 500 Chinese Property Developers" and topped the list of "Top 10 Chinese Property Developers in Regional Operations" for nine consecutive years in a row.

May 2017

On 25 May 2017, the Company ranked 26th on the "China Real Estate Listed Company Ranking List" according to the Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2017 and ranked 4th among the listed property companies in China in terms of operations performance.

September 2017

With a brand value of RMB11.146 billion, CCRE ranked 28th among the "2017 Top 50 China Real Estate Developers Brand Value" published on 13 September 2017.

Chairman's Statement

"From the land of Henan,
for the people of China"

Dear Shareholders,

I have the pleasure to present, on behalf of the Board of the Company, the consolidated annual results of the Group for the year ended 31 December 2017.

In 2017, the domestic economy demonstrated a rising trend with its gross domestic product (GDP) exceeding RMB80 trillion for the first time, representing a year-on-year growth of 6.9%. Contributing over 30% of global economic growth, China made its first rebound after nearly 7 years' adjustment. In particular, China has transformed from an industrial-driven economy to the economy spurred by synergy of industrial sector and service sector, creating a


Chairman
Wu Po Sum

profound impact on China's economic trends. In addition, new momentum behind the service sector marked by the "Internet+" continuously increased, while the booming sharing economy penetrated various areas and market segments covering the transportation, accommodation, finance, food & beverage, logistics, education and medical industry. Meanwhile, the "happiness industry" such as tourism, culture, elderly care, healthcare, sports also underwent rapid development.

As for the property market, the sales GFA of commodity housing in the nationwide property market hit the record of 1.6 billion sq. m. in 2017, representing a year-on-year growth of 7.7%, the sales amount of which also exceeded RMB13 trillion for the first time, representing a year-on-year growth of 13.7%. Transaction volume in the third and fourth-tier cities accounted for over 60% of total transaction volume nationwide. Additionally, both "Houses are built to be inhabited, not for speculation" and "housing purchase and renting" policies facilitated the consolidation of the real estate industry and leading property developers also accelerated its transformation towards stages of "increase quantity + maintain quantity" as well as "delightful lifestyle".

OPERATING RESULTS INCREASED SUBSTANTIALLY WITH STEADY PROGRESS MADE IN TRANSFORMATION DEVELOPMENT STRATEGY

The operating performance of the Company improved substantially in 2017 with a property contracted sales amount of approximately RMB30,415 million, representing a year-on-year growth of 51.0%, the total contracted sales GFA of which amounted to 4,584,200 sq. m., representing a year-on-year increase of 65.8%. The Company continuously made it to the list of the "2017 Top 50 Chinese Property Developers" in the "2017 Assessment Report on Top 500 Chinese Property Enterprises" and topped the list of "Top 10 Chinese Property Developers in Regional Operations" for nine consecutive years in a row and continued to be ranked in "Top 5 PRC Listed Property Companies in Operations Performance". According to the Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2017, the Company was ranked 26th on the "China Real Estate Listed Company Ranking List" and ranked 4th among the listed property companies in China in terms of operational performance.

Sky Mansion

Zhengzhou Triumph Plaza

Furthermore, the Company further expanded its light-asset expansion model featuring "delivery of our brands, management and capital" based on the "New Blue Ocean Strategy", exerting a stronger growth driving force for our development by maximising the brand premium and leveraging the management advantage. During the reporting period, the Company had entered into 39 agreements in relation to light-asset model projects with planned GFA of approximately 5,840,000 sq. m. in aggregate and estimated royalty fee of RMB1.235 billion. Up to this point, the Company has entered into a total of 75 agreements in relation to light-asset model projects with planned GFA of 12,460,000 sq. m. in aggregate and estimated royalty fee totaling RMB2.577 billion.

EMERGENCE OF "JIANYE+" ECOSYSTEM, ADVENT OF DIFFERENTIATION COMPETITIVE EFFECT

The Company has kept upholding its original intention to persistently focus on taking root in Henan Province since its establishment in 1992. On 30 September, the official opening of Puyang Central China Daji Ancient Town and Dongbeizhuang Acrobatics Town marked the 25th year of the Company's assiduous cultivation in central China, which ultimately strengthened the links among five market layers of "Province, City, County, Town, Village".

Currently, our core customer base comprises nearly 1,000,000 property owners, 3 million sports fans, 150,000 students and their parents, more than 100,000 employees and their families, around 1,000 business partners, and 40 million commercial real estate customer traffic per year. Due to the upgrade of consumption, diversification of customer needs and widespread use of the Internet, the Company officially activated the "New Blue Ocean Strategy" in 2015, aiming to transform itself from a "property developer" to a "new lifestyle services provider". After two years of development in an effort to create synergy and cultivate the area, an ecosystem concerning people's well-being that covers "Jianye + Real Estate, +Cultural Tourism, +Agriculture, +Properties, +Commerce, +Education, +Sports, +Hotels, +Technology, +Finance, +Tourism, +Junlin Club" has clearly emerged and will continue to flourish.

South Lake No.1

Meanwhile, "Jianye +" commercial ecosystem centered on our core property business enabled the Company to finely interpret the new lifestyle advocated during the period when new strategy was implemented, further strengthening the Company's core competitiveness and expanding its brand influence.

The Company did not regard our new blue ocean strategy as a step to go with the commercial tide. Instead, the strategy was put forward due to our considerable confidence in the strategy, cultural connotation and ecological deployment. The Company has evidently focused on the betterment and diversified needs of the people of Henan, gradually developing a unique commercial model and increasingly demonstrating the differentiation competitive effect.

SCALE NEW HEIGHTS OF CCRE'S SUCCESS IN CENTRAL CHINA BY MAXIMISING SYNERGY

In the year 2018, China's real estate market will experience further adjustment. Henan, as a landlocked province, has exerted continuous effort in building an inland open highland in recent years. Three pillar industries, namely air logistics, high-end manufacturing and modern service industry, have created synergy effect, signifying the formation of a brand new and completely open landscape. In the new era, as a series of national strategic platforms were secured and the main strategy concerning the "rise of central China" was implemented, Henan Province will certainly undergo a new urbanisation to a greater extent.

Discipline is the bridge between goals and accomplishment. In the year ahead, the Company will leverage the combined advantages brought by our brand reputation and unique business model, facilitate resources consolidation and innovate channels for land acquisition to further upgrade our products and service standards, maximise synergy of our "Jianye+" commercial ecosystem centered on the core property business, maintain our corporate culture underpinned by "honesty, responsibility, integrity and focus" so as to strive to achieve the management target of "consensus, co-creation, responsibility, win-win relations, sharing" to take our ambitious undertaking to the next level.

APPRECIATION

I would like to take this opportunity to express sincere gratitude to our staff for their diligent work and contributions. In this era of change, the trust and recognition of shareholders remain the driving force for us to go forward. We will continue to maximise shareholders' value by acting as the facilitator of urbanisation and social progress in cities of central China and enhancing our contributions to the healthy and sustainable development of China's real estate industry.

Wu Po Sum
Chairman

12 March 2018

Financial Highlights

SUMMARY OF CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	2017	2016	Changes
Revenue *(RMB'000)*	**13,879,207**	9,495,022	46.2%
Gross profit *(RMB'000)*	**3,280,777**	2,292,867	43.1%
Gross profit margin	**23.6%**	24.1%	-0.5*
Gross profit from core business *(RMB'000)*	**2,825,399**	2,100,606	34.5%
Net profit *(RMB'000)*	**899,282**	404,120	122.5%
Net profit margin	**6.5%**	4.3%	2.2*
Net profit from core business *(RMB'000)*	**1,074,547**	707,289	51.9%
Net profit margin from core business	**8.1%**	7.8%	-0.3*
Profit attributable to equity shareholders *(RMB'000)*	**811,365**	402,973	101.3%
Basic earnings per share *(RMB)*	**0.3319**	0.1650	101.2%
Diluted earnings per share *(RMB)*	**0.3295**	0.1650	99.7%
Final dividends per share *(HK$)*	**0.1229**	Nil	N/A

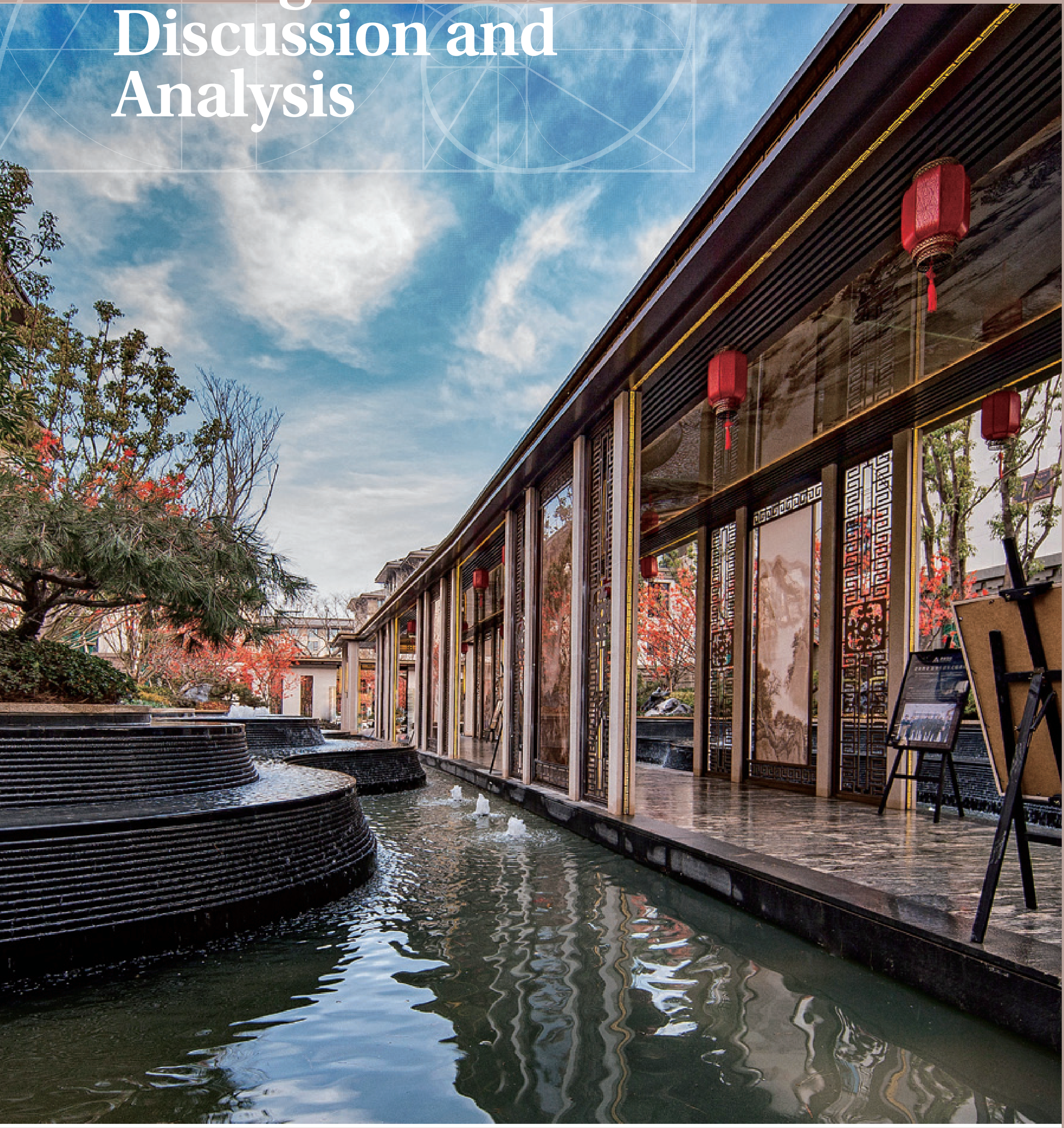
SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	2017	2016	Changes
Total cash (including cash and cash equivalents and restricted bank deposits) *(RMB'000)*	**13,408,915**	11,181,131	19.9%
Total assets *(RMB'000)*	**62,527,185**	44,325,800	41.1%
Total liabilities *(RMB'000)*	**54,054,016**	37,328,474	44.8%
Total equity (including non-controlling interests) *(RMB'000)*	**8,473,169**	6,997,326	21.1%
Total borrowings *(RMB'000)*	**15,584,145**	14,356,054	8.6%
Net borrowings *(RMB'000)*	**4,300,292**	4,573,718	-6.0%
Current ratio	**110.3%**	139.3%	-29.0*
Net gearing ratio	**50.8%**	65.4%	-14.6*
Net asset value per share *(RMB)*	**3.47**	2.87	20.9%
Equity attributable to equity shareholders per share *(RMB)*	**3.14**	2.63	19.4%

Note: * change in percentage points

Management Discussion and Analysis



Jiuru House

Management Discussion and Analysis

FINANCIAL REVIEW

Overall performance

The Group is pleased to announce a significant growth in contracted sales amounting to RMB30,415 million in 2017, representing a year-on-year increase of 51.0%. As the increase in contracted sales and cash collection of sales were satisfactory, the cash and cash equivalents and restricted bank deposits of the Group in total amounted to approximately RMB13,409 million as at 31 December 2017.

As at 31 December 2017, net borrowings in total amounted to approximately RMB4,300 million with net gearing ratio of approximately 50.8%. The Group has persisted in adhering to a prudent principle in financial management, thus maintaining a high proportion of cash with a reasonable level of borrowing.

The Group has implemented a proactive and aggressive approach to acquire land and accelerated the project construction progress since the second half of the year, so as to shorten the development cycle. In 2017, many projects of the Group were accounted for as sales carried forward. As a result, the Group recorded a significant increase in land reserves and property sales carried forward in terms of gross floor area ("GFA") and revenue recognised in 2017.

In addition to property sales, the Group has been expanding its revenue base and spreading its operational risks through expanding hotel and cultural tourism projects and diversifying businesses. Yanling Jianye The Mist Hot Spring Hotel, the first self-operated hotel of the Group, has started trial operation in February 2018; while Jianye Huayi Brothers Film Culture Town has been listed in the "First Batch Type-A Key Construction Projects in Henan Province" in 2017. The management believes that injecting part of the resources into these new businesses would improve the Group's industry value-chain by integrating interactive business segments including properties, hotels and cultural tourism and offering "tailor-made" services to our customers.

In 2017, the Group facilitated the strategic development of its light-asset projects. As at 31 December 2017, the Group has participated in 75 light-asset projects with a total planned GFA of approximately 12.46 million sq. m.. The Group expects the light-asset projects will generate steady income to the Group in the coming years and such income will increase following the development of the projects.

Revenue: Our revenue increased by 46.2% to approximately RMB13,879 million in 2017 from approximately RMB9,495 million in 2016, primarily due to an increase in number of completed projects.

- **Income from sales of properties:** Revenue from property sales increased by 44.9% to approximately RMB13,211 million in 2017 from approximately RMB9,120 million in 2016 due to an increase in sold area to 2,329,226 sq. m. in 2017 from 1,738,628 sq. m. in 2016, and the average selling price increased to RMB5,672 per sq. m. in 2017 from RMB5,245 per sq. m. in 2016. The increase in the average selling price was in line with the government's control policies on the real estate market.

- **Rental income:** Revenue from property leasing maintained stable at approximately RMB95 million in 2017 and 2016, which was mainly derived from rental income of the properties held.

- **Revenue from hotel operation:** Revenue from hotel operation increased by 9.9% to approximately RMB266 million in 2017 from approximately RMB242 million in 2016. The increase was due to the reception of a number of conference teams as a result of various large-scale conferences and exhibitions held in Nanyang, Luohe and Kaifeng and other cities where the Group's hotels are located in 2017.

- **Revenue from provision of project management service:** Revenue from provision of project management service increased by 688.6% to approximately RMB308 million in 2017 from approximately RMB39 million in 2016 which was derived from operation and management services provided by the Group under light-asset projects. The increase was mainly because most of the projects in 2016 did not reflect full-year revenue and 39 projects were newly added in 2017.

Cost of sales: Our cost of sales increased by 47.2% to approximately RMB10,598 million in 2017 from approximately RMB7,202 million in 2016. The increase in cost of sales was due to an increase in GFA carried forward as mentioned above and a corresponding increase in land and construction costs.

Gross profit: The Group's gross profit increased by 43.1% to approximately RMB3,281 million in 2017 from approximately RMB2,293 million in 2016, while our gross profit margin decreased slightly by 0.5% from 24.1% in 2016 to 23.6% in 2017. It was principally due to: 1) a decrease in the proportion of sales of parking spaces with higher gross profit margin as a result of a decreased sales volume; and 2) prior years' sales promotion resulted in revenue recognised at a lower price during the period.

Other revenue: Other revenue decreased by 53.3% to approximately RMB107 million in 2017 from approximately RMB229 million in 2016. This was primarily due to a decrease in advances to joint ventures and third parties resulting in a decrease in corresponding interest income.

Other net income: Other net income of approximately RMB258 million in 2017 was primarily attributable to the aggregate revenue of approximately RMB249 million from gain on disposal of subsidiaries and exchange gain.

South Lake No.1

Yanling Eco-City

Selling and marketing expenses: Our selling and marketing expenses increased by 45.6% to approximately RMB697 million in 2017 from approximately RMB479 million in 2016. The increase was primarily due to 1) an increase in brand advertising and property marketing expenses; and 2) an increase in the number of sales personnel and staff salaries.

General and administrative expenses: Our general and administrative expenses increased by 34.5% to approximately RMB1,087 million in 2017 from approximately RMB808 million in 2016. This increase was primarily due to a significant increase in the number of administrative staff as a result of our business expansion. On the other hand, since the average market wage has risen by about 25% as a result of the significant increase in the demand for administrative staff with experience in Mainland real estate, the Group adjusted the wages of its administrative staff according to the market conditions so as to reduce staff turnover.

Other operating income: Other operating income increased by 13.0% to approximately RMB49 million in 2017 from approximately RMB43 million in 2016. The increase was mainly due to an increase in project management fees.

Share of profits less losses of joint ventures: Our share of profits less losses of joint ventures increased by 85.3% to approximately RMB199 million in 2017 from approximately RMB107 million in 2016, primarily due to an increase in the recognition of revenue from the joint ventures. The revenue from the Group's joint ventures amounted to approximately RMB8,463 million (2016: RMB2,323 million), representing GFA sold of 820,354 sq. m. (2016: 230,653 sq. m.) during 2017, in which revenue of RMB4,483 million (2016: RMB1,335 million), representing GFA sold of 426,171 sq. m. (2016: 123,476 sq. m.), was attributable to the Group.

Finance costs: Our finance costs increased by 1.8% to approximately RMB408 million in 2017 from approximately RMB401 million in 2016.

Net valuation gain on investment properties: A net increase of approximately RMB243 million in valuation gain on our investment properties in 2017 was recorded, which was mainly due to the usage of The Five Buildings and Lakeside Square was changed from sale with lease to self-held lease and therefore transferred from inventories to investment real estate.

Income tax: Income tax for the year mainly comprises corporate income tax and land appreciation tax. The Group's income tax increased by 67.0% to approximately RMB1,041 million in 2017 from approximately RMB623 million in 2016. It was principally due to: 1) the deferred tax incurred by the valuation gain as a result of the change in use of certain properties for sale to investment properties; 2) the increase in income tax incurred by an increase of profits from sales of properties; and 3) a rise in relevant land appreciation tax as a result of an increase in income from sales of properties.

Profit for the year: As a result of the foregoing, our profit for the year increased by 122.5% to approximately RMB899 million in 2017 as compared to approximately RMB404 million in 2016.

Financial resources and utilisation: As at 31 December 2017, the Group's cash and cash equivalents amounted to approximately RMB11,284 million (2016: approximately RMB9,776 million). During the year, the Group distributed a final dividend of approximately RMB243 million to the shareholders of the Company in relation to full-year profit attributable to the year ended 31 December 2017 (2016: nil).

Structure of Borrowings and Deposits

The Group continued to adopt a prudent principle on financial management and centralise our funding and financial management. Therefore, we maintained a high proportion of cash with a reasonable level of borrowing. During the year, we successfully issued the 6.00% senior notes due 2018 with a principal amount of US$200,000,000 (the "US$200m Senior Notes Due 2018"). As at 31 December 2017, the repayment schedule of the Group's bank and other borrowings was as follows:

Repayment Schedule	**As at 31 December 2017 RMB'000**	As at 31 December 2016 RMB'000
Bank loans		
Within one year	**450,118**	514,265
More than one year, but not exceeding two years	**986,674**	393,695
More than two years, but not exceeding five years	**1,785,876**	683,985
Exceeding five years	**664,910**	773,495
	3,887,578	2,365,440
Other loans		
Within one year	**90,000**	90,000
More than one year, but not exceeding two years	**90,000**	90,000
More than two years, but not exceeding five years	**90,000**	180,000
Exceeding five years	**30,000**	30,000
	300,000	390,000
Corporate bonds		
More than two years, but not exceeding five years	**2,986,914**	2,978,128
Senior notes		
Within one year	**3,890,692**	960,216
More than one year, but not exceeding two years	**–**	2,795,026
More than two years, but not exceeding five years	**4,518,961**	4,867,244
	8,409,653	8,622,486
Total borrowings	**15,584,145**	14,356,054

Repayment Schedule	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
Deduct:		
Cash and cash equivalents	**(11,283,853)**	(9,776,310)
Restricted bank deposits secured bank loans and other loans	**–**	(6,026)
Net borrowings	**4,300,292**	4,573,718
Total equity	**8,473,169**	6,997,326
Net gearing ratio (%)	**50.8%**	65.4%

Pledge of assets: As at 31 December 2017, we had pledged completed properties, properties under development, properties for future development, property, plant and equipment, bank deposits and interest in a joint venture with an aggregate carrying amount of approximately RMB1,567 million (2016: approximately RMB3,109 million) to secure general bank credit facilities and other loans granted to us. We also pledged properties under development and property, plant and equipment with an aggregate carrying amount of approximately RMB160 million (2016: approximately RMB466 million) to secure bank loans and other loans of joint ventures.

Contingent liabilities: As at 31 December 2017, we provided guarantees of approximately RMB23,341 million (2016: approximately RMB19,077 million) to banks in favor of customers in respect of the mortgage loans provided by the banks to these customers for the purchase of the developed properties of our Group as well as those of its joint ventures. We also provided guarantees to bank loans and other loans of joint ventures amounting to approximately RMB6,512 million as at 31 December 2017 (2016: approximately RMB2,914 million). Apart from the above, the Group provided liquidity guarantee support in favour of Jianye Property Management in an amount of RMB650 million as at 31 December 2017 (2016: RMB650 million) in relation to Assets-backed Securities issued by Jianye Property Management.

Capital commitment: As at 31 December 2017, we had contractual commitments undertaken by subsidiaries and joint ventures attributable to our Group, the performance of which was underway or ready, in respect of property development amounting to approximately RMB7,086 million (2016: approximately RMB6,450 million), and we had authorised, but not yet contracted for, a further approximately RMB13,468 million (2016: approximately RMB13,449 million) in expenditure in respect of property development.

Foreign exchange risk: Our businesses are principally conducted in RMB. The majority of our assets are denominated in RMB. As at 31 December 2017, our major non-RMB assets and liabilities are (i) bank deposits denominated in H.K. dollar; and (ii) the senior notes denominated in U.S. dollar. We are subject to foreign exchange rate risk arising from future commercial transactions denominated in currencies other than RMB and recognised assets and liabilities. Considering the main income stream of the Group denominated in RMB, we have translated the principal and interest of the US$200m Senior Notes issued in 2016 into RMB through a forward swap.

Interest rate risk: The interest rates for a portion of our loans were floating. Upward fluctuation in interest rates will increase the interest cost of new and existing loans. We currently do not use derivative instruments to hedge its interest rate risk.

Human resources and remuneration policy: As at 31 December 2017, we had 2,966 employees (2016: 2,467 employees). Staff remuneration is determined on the basis of individual performance, experience and prevailing industry practices. We review our remuneration policy and arrangements on a regular basis and staff may be rewarded with bonuses and cash payments depending on individual performance appraisals. Our policies for insurance and provident fund are in compliance with national and local laws and regulations on labour affairs and social welfare. At the date of this report, there was no significant labor dispute which had or might have an adverse impact on our business operations.

Jiuru House

REVIEW OF OPERATIONS

(I) Market and Operations Review

1. *The Macro-economic Environment*

In face of perplexing economic landscape within and outside China in 2017, the central government upheld its commitment to the general principle of making progress while keeping performance stable and consistently reinforced new development notion by pressing ahead with supply-side structural reform so as to effectively facilitate the progress of various works. China's economy has maintained positive momentum in stability with constant optimisation in economic structure as well as remarkable enhancement in stability, coordination, and sustainability. Economic growth maintained within a proper range during the whole year. Furthermore, major macro indicators outperformed the expectation, as demonstrated by a stable increase in employment in urban areas, rapid growth in fiscal income, corporate profit and rural and urban residents' income as well as a rise in quality and effectiveness of the economy. In 2017, China's gross domestic product (GDP) amounted to approximately RMB82.71 trillion, representing a year-on-year growth of 6.9%.

In 2017, Henan Province continued to thoroughly implement strategies formulated by the central government by pressing ahead with supply-side structural reform, fully leveraging on its advantages to play the "Four Cards" well, proactively pursuing four primary development strategies of "three areas and one community", exerting effort to commence "four battles" to attain complete implementation of each policy, maintain positive momentum behind stable economic development in general of Henan Province, achieve considerable progress in transformation and upgrades, successively shift from old to new growth drivers, improve quality and effectiveness of economic development. In 2017, Henan's GDP amounted to approximately RMB4.49 trillion, representing a year-on-year growth of 7.8%, which was 0.9 percentage points higher than the national average.

2. *The Property Market*

In 2017, policies on the property market kept abreast with the general principle of "houses are built to be inhabited, not for speculation". Moreover, local governments regarded urban agglomeration as the key targets for market regulation, switching its strategies from traditional demand-side adjustments to supply-side reforms. Purchase limits, mortgage restrictions, sale limits and restrictions on land auctions resulted in the optimisation of supply-side structure, which gradually demonstrated the effectiveness of regulatory policies. In addition, the short-term regulation was more aligned with the long-term mechanism, which significantly facilitated the development of residential leasing market and joint ownership housing provisional scheme in an attempt to control housing price level, while improving the multi-level housing supply system, establishing a real estate system of housing purchase and renting as well as urging the establishment and perfection of a long-term mechanism.

In 2017, China's sales GFA of commodity housing in the nationwide property market amounted to approximately 1,694,000,000 sq. m., representing a year-on-year growth of 7.7%, the sales amount of which was approximately RMB13,370 billion, representing a year-on-year growth of 13.7%. Property development investment amounted to approximately RMB10,980 billion, representing a year-on-year growth of 7.0%.

Under the backdrop of strong promotion of new urbanisation in Henan's property market, the principle of "houses are built to be inhabited, not for speculation" was emphasised. With the introduction of policies according to cities' circumstances, provision of guidance based on different categories and tightened regulations over the property market from Zhengzhou, demands for housing in the cities of Henan Province have been released due to short-term favourable factors to the property market. In 2017, the sales GFA of commodity housing sold in Henan Province was approximately 133,000,000 sq. m., representing a year-on-year growth of 17.8%, the sales amount of which was approximately RMB712.94 billion, representing a year-on-year growth of 27.0%. Property development investment amounted to approximately RMB709.025 billion, representing a year-on-year growth of 14.7%.

(II) Project Development

During the reporting period, the Company further improved its overall business layout by integrating its businesses into interactive segments including property, hotel, cultural tourism, commerce and modern agriculture.

Considerable synergy was created, as a result, by the formation of business segments under the operation of the platform of the Company. On the one hand, the property business has been broadening customer base by introducing quality customers to the Company. On the other hand, rapid development of other business segments, such as hotel, cultural tourism, commerce and modern agriculture, has provided our property customers and other customers with featured services, thereby enhancing brand influence and promoting property segment development. The major business segments of the Company have established a mutually-beneficial relationship.

In order to enhance profitability, expand market share and improve comprehensive competitiveness, the Company also maximised its brand value by launching its light-asset business featuring "delivery of our brands, management and capital", and satisfactory performance had been achieved in the reporting period.

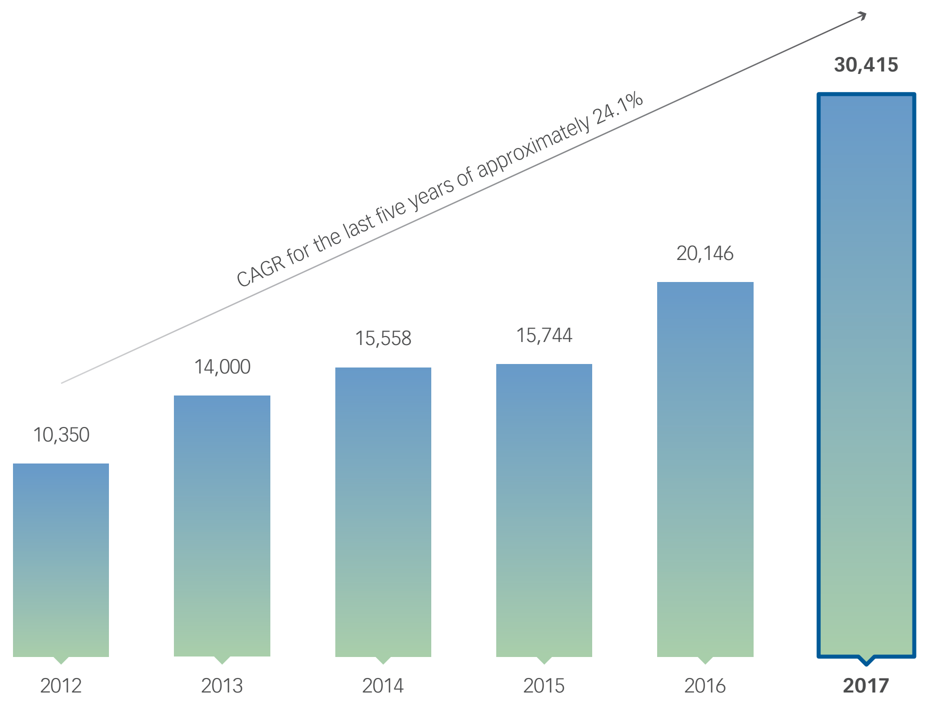
1. *Property Development*

   The Company continued to grow in 2017. It orderly commenced all works set out in the annual operating plan. By leveraging our strengths, the Company persistently focused on Henan while developing the cities where we operate, and moderately stocked up a number of high quality projects in cities with better development prospects with an aim to ensure stable operation and sound development of the Company.

(a) Property Sales Performance

During the reporting period, a progressive growth in property sales and a breakthrough in sale target were achieved through our great effort in expediting property sales. In 2017, the contracted sales sold by the Company amounted to approximately RMB30,415 million, representing an increase of 51.0%; and the contracted area sold by the Company was approximately 4,584,000 sq. m., representing an increase of 65.8%. The compound annual growth rate of the Company's contracted sales in the past five years was approximately 24.1%. In terms of contracted sales amount, the market share of the Company in 2017 in Henan Province was 4.3%.

Unit: RMB million



Geographical Breakdown of Contracted Sales in 2017

City	Contracted sales amount (RMB million) 2017	2016	Change	Contracted GFA ('000 sq. m.) 2017	2016	Change
Zhengzhou	**8,033**	10,698	–25%	**720**	833	–14%
Kaifeng	**386**	276	40%	**41**	50	–18%
Luoyang	**2,246**	1,315	71%	**292**	220	33%
Pingdingshan	**516**	517	0%	**106**	115	–8%
Anyang	**1,292**	304	325%	**301**	77	291%
Hebi	**1,022**	516	98%	**221**	131	69%
Xinxiang	**3,052**	832	267%	**468**	179	161%
Jiaozuo	**933**	397	135%	**173**	73	137%
Puyang	**838**	590	42%	**170**	131	30%
Xuchang	**2,071**	858	141%	**290**	178	63%
Luohe	**899**	700	28%	**153**	152	1%
Sanmenxia	**1,073**	320	235%	**192**	53	262%
Shangqiu	**1,987**	560	255%	**362**	111	226%
Zhoukou	**2,564**	564	355%	**500**	127	294%
Zhumadian	**2,008**	859	134%	**385**	187	106%
Nanyang	**1,007**	252	300%	**130**	29	348%
Xinyang	**394**	279	41%	**63**	52	21%
Jiyuan	**94**	309	–70%	**17**	66	–74%
Total	**30,415**	20,146	51%	**4,584**	2,764	66%

(b) Newly Commenced Property Projects

During the reporting period, the Company commenced the construction of 54 projects in total with newly commenced GFA of 5,869,335 sq. m., representing an increase of 7.5% compared with the target of projects commencement at the beginning of the year. The Company strengthened the efforts in market research and optimized product plans based on the geological distribution of customers and estimated sales. This helped the Company to further enhance its product competitiveness and market performance, and contributed to a safe and reasonable inventory structure.

City	**Project name**	**Principal use of property**	**Newly commenced GFA during the year** (sq. m.)
Zhengzhou	Blossom Garden	Residential	212,254
Zhengzhou	Xuhui Zhengrong Grand Mansion	Residential	163,666
Zhengzhou	Xinmi Code One City	Residential	84,806
Zhengzhou	Zhengxi U-Town	Residential	124,214
Zhengzhou	Gongyi Spring Time	Residential	165,265
Zhengzhou	Canal Courtyard	Residential	105,498
Zhengzhou	Intelligent Palace	Residential	164,355
Zhengzhou	Tihome Jianye International City	Residential	145,968
Luoyang	Sweet-Scented Osmanthus Garden	Residential	90,225
Luoyang	Dingding House	Residential	101,100
Luoyang	Code Two City	Residential	208,686
Kaifeng	Chrysanthemum Garden	Residential	98,010
Shangqiu	Yongcheng U-Town	Residential	75,721
Zhumadian	The West Lake Villa	Residential	141,190
Zhumadian	Xiping Forest Peninsula	Residential	93,901
Zhumadian	Eighteen Cities	Residential	250,182
Zhumadian	Xincai CCRE Mall	Residential	100,587
Zhumadian	Suiping Forest Peninsula	Residential	78,412
Sanmenxia	Jianye New District Forest Peninsula	Residential	170,228
Sanmenxia	Code One City	Residential	104,627
Pingdingshan	Wugang Forest Peninsula	Residential	60,102
Luohe	Xicheng Forest Peninsula	Residential	219,142
Xuchang	Code One City	Residential	74,397
Xuchang	Sweet-Scented Osmanthus Garden	Residential	104,608
Xuchang	Yanling Eco-City	Residential	57,357
Xuchang	Changge Spring Time	Residential	220,809
Xuchang	Chinoiserie Palace	Residential	83,468
Xuchang	Yuzhou Sweet-Scented Osmanthus Garden	Residential	55,167

City	Project name	Principal use of property	Newly commenced GFA during the year (sq. m.)
Anyang	Huaxian Code One City	Residential	129,790
Anyang	Linzhou CCRE Mall	Residential	73,759
Jiyuan	Code One City-North Terrace	Residential	50,921
Puyang	Code One City	Residential	108,418
Xinxiang	Jianye Beverly Manor	Residential	238,454
Xinxiang	Code One City	Residential	193,241
Xinxiang	U-Town	Residential	79,173
Xinxiang	Changyuang Forest Peninsula	Residential	91,458
Jiaozuo	Central Garden	Residential	137,885
Jiaozuo	Qinyang Spring Time	Residential	78,733
Jiaozuo	Xiuwu Forest Peninsula	Residential	54,683
Nanyang	Code One City	Residential	161,957
Zhoukou	Luyi Jianye City	Residential	267,234
Zhoukou	Luyi Mingdao City	Residential	52,452
Zhoukou	Shenqiu Jianye City	Residential	121,581
Zhoukou	Xiangcheng Spring Time	Residential	78,777
Zhoukou	Landmark	Residential	94,275
Others			302,599
Total			5,869,335

(c) Property Projects under Development

As of 31 December 2017, the Company had 65 projects under development with a total GFA of approximately 8,417,000 sq. m., including 10 projects under development in Zhengzhou and 55 projects under development in other cities of Henan Province.

City	Project name	Principal use of property	GFA under development (sq. m.)
Zhengzhou	Canal Courtyard	Residential	168,452
Zhengzhou	Tihome Jianye International City	Residential	738,818
Zhengzhou	Blossom Garden	Residential	236,182
Zhengzhou	Zhengxi U-Town	Residential	124,214
Zhengzhou	Wulong Century New City	Residential	528,138
Zhengzhou	Triumph Plaza	Commercial	50,263
Zhengzhou	Gongyi Spring Time	Residential	165,265
Zhengzhou	Xinmi Code One City	Residential	84,806
Zhengzhou	Xuhui Zhengrong Grand Mansion	Residential	163,666
Zhengzhou	Intelligent Palace	Residential	164,356
Kaifeng	Chrysanthemum Garden	Residential	98,010
Luoyang	Sweet-Scented Osmanthus Garden	Residential	126,901
Luoyang	Poly Champagne International	Residential	88,353
Luoyang	Dingding House	Residential	101,100
Luoyang	Code Two City	Residential	208,686
Anyang	Huaxian Code One City	Residential	134,499
Anyang	Jianye City	Residential	144,771
Anyang	Linzhou CCRE Mall	Residential	73,759
Hebi	Code One City	Residential	197,996
Xinxiang	Beverly Manor	Residential	289,634
Xinxiang	Code One City	Residential	410,814
Xinxiang	Changyuang Forest Peninsula	Residential	139,890
Xinxiang	U-Town	Residential	79,173
Jiaozuo	Central Garden	Residential	262,289
Jiaozuo	Qinyang Spring Time	Residential	78,733
Jiaozuo	Xiuwu Forest Peninsula	Residential	54,588
Puyang	Code One City	Residential	136,598
Xuchang	Code One City	Residential	60,860
Xuchang	Changge Spring Time	Residential	220,809
Xuchang	Yanling Eco-City	Residential	51,529
Xuchang	Sweet-Scented Osmanthus Garden	Residential	90,718
Xuchang	Chinoiserie Palace	Residential	83,468
Xuchang	Yuzhou Sweet-Scented Osmanthus Garden	Residential	55,167

City	Project name	Principal use of property	GFA under development (sq. m.)
Luohe	Xicheng Forest Peninsula	Residential	259,394
Sanmenxia	Code One City	Residential	122,304
Sanmenxia	New District Forest Peninsula	Residential	170,228
Shangqiu	Zhecheng U-Town	Residential	64,648
Shangqiu	Yongcheng U-Town	Residential	75,721
Zhoukou	Luyi Jianye City	Residential	162,254
Zhoukou	Landmark	Residential	94,275
Zhoukou	Shenqiu Jianye City (West)	Residential	121,581
Zhoukou	Forest Peninsula	Residential	72,934
Zhoukou	Luyi Mingdao City	Residential	52,452
Zhoukou	Xiangcheng Spring Time	Residential	78,777
Zhumadian	Jianye Eighteen Cities	Residential	254,028
Zhumadian	The West Lake Villa	Residential	141,190
Zhumadian	Suiping Forest Peninsula	Residential	122,097
Zhumadian	Xiping Forest Peninsula	Residential	93,901
Zhumadian	Xincai CCRE Mall	Residential	100,587
Nanyang	Code One City	Residential	275,829
Xinyang	Jianye City	Residential	91,842
Jiyuan	Code One City-North Terrace	Residential	50,921
Others			399,274
Total			8,416,742

(d) Property Projects Completed

During the reporting period, the Company had 46 projects completed in total with a total completed GFA of 3,519,000 sq. m..

City	Project name	Principal use of property	Saleable GFA (sq. m.)
Zhengzhou	Sky Mansion	Residential	174,413
Zhengzhou	Triumph Plaza	Commercial	196,945
Zhengzhou	Gongyi Code One City	Residential	105,364
Zhengzhou	Jiuru House	Residential	171,037
Zhengzhou	Zhengxi U-Town	Residential	127,766
Zhengzhou	Blossom Garden	Residential	220,976
Luoyang	Sweet-Scented Osmanthus Garden	Residential	137,585
Luoyang	Poly Champagne International	Residential	122,775
Luoyang	Huayang Fengdu	Residential	121,380
Kaifeng	Chrysanthemum Garden	Residential	98,165
Shangqiu	Yongcheng U-Town	Residential	103,251
Shangqiu	Zhecheng U-Town	Residential	70,428
Shangqiu	Eighteen Cities	Residential	62,746
Shangqiu	Hill Water Lake City	Residential	223,688
Zhumadian	Eighteen Cities	Residential	187,762
Zhumadian	Xiping Forest Peninsula	Residential	43,003
Sanmenxia	U-Town	Residential	77,647
Pingdingshan	Wugang Forest Peninsula	Residential	39,331
Luohe	Code One City	Residential	75,904
Luohe	Xicheng Forest Peninsula	Residential	53,440
Xuchang	Code One City	Residential	128,124
Anyang	Jianye City	Residential	85,104
Hebi	Sweet-Scented Osmanthus Garden	Residential	55,030
Hebi	Code One City	Residential	74,903
Puyang	Jianye New City	Residential	84,706
Puyang	Code One City	Residential	52,045
Jiaozuo	Xiuwu Forest Peninsula	Residential	55,748
Zhoukou	Luyi Jianye City	Residential	162,613
Others			407,376
Total			3,519,255

2. *Hotels*

Henan Jianye Zhizun Hotel Investment Co., Ltd. (河南建業至尊酒店管理有限公司), a wholly-owned subsidiary of the Company, is responsible for brand management, design management, engineering management, opening preparation and operation management for all hotel projects of the Group. Currently, it has established strategic cooperation with three international well-known groups of hotel management, namely Marriott, InterContinental and Accor, under which five hotel projects are in operation, i.e. Aloft Zhengzhou Shangjie, Holiday Inn Nanyang, Four Points by Sheraton Luohe, Le Méridien Zhengzhou and Pullman Kaifeng Jianye.

In the meantime, the Group is developing its own brand hotel, Yanling Jianye The Mist Hot Spring Hotel and Zhengzhou Jianye Sky Mansion will make their wonderful appearance in 2018. The Company's hotels are identified with high-quality services and are popular among, and well recognised by, high-income consumers. This enhances the Company's brand and reputation, and promotes higher profitability of property projects.

As at 31 December 2017, the Company had 5 hotels completed. Revenue from hotel operation in the reporting period increased by 9.9% as compared with that in the same period last year, demonstrating a sustainable and steady revenue from the hotel segment.

Le Méridien Zhengzhou

Le Méridien Zhengzhou opened on 31 October 2013 with a site area of 5,391 sq. m. and a total GFA of approximately 65,007 sq. m.. It is located at the junction of Zhengbian Road and Zhongzhou Avenue, Zhengzhou. It is a five-star hotel inheriting the European tradition of elegance and integrating contemporary culture, and is gorgeous and unique in design. It has 350 guest rooms or suites and is currently managed by Marriott International Group.

Aloft Zhengzhou Shangjie

Aloft Zhengzhou Shangjie opened on 6 August 2011 with a site area of 12,701 sq. m. and a total GFA of approximately 19,800 sq. m.. It is located at No. 101, Zhongxin Road, Shangjie District, Zhengzhou City. It is a five-star hotel inheriting the European tradition of elegance and integrating contemporary culture, and is fashionable and simplistic in design. It has 172 guest rooms or suites and is currently managed by Marriott International Group.

Holiday Inn Nanyang

Holiday Inn Nanyang opened on 8 August 2012 with a site area of approximately 66,700 sq. m. and a total GFA of approximately 50,138 sq. m.. It is located at the junction of State Road 312 and Binhe Road in Nanyang which is in close proximity to Baihe River Tourist Attraction. It is a five-star garden design style hotel and the first multifunctional hotel in Nanyang for the purposes of commerce, holiday, administration and conference. It has 360 guest rooms or suites and is currently managed by InterContinental Hotels Group.

Four Points by Sheraton Luohe

Four Points by Sheraton Luohe opened on 23 November 2012 with a site area of approximately 34,426 sq. m. and a total GFA of approximately 40,441 sq. m.. It is located at Songshan Road West Branch, Yancheng District, Luohe which is in close proximity to the Convention and Exhibition Center and around a 10-minute ride to the city center of Luohe and the railway station. Four Points by Sheraton Luohe is an intelligent composite five-star hotel comprising business conference, food & beverage, accommodation, leisure and entertainment in classic and fashionable design. With 244 guest rooms or suites, it is the best choice for business conference, leisure and entertainment and is currently managed by Marriott International Group.

Pullman Kaifeng Jianye

Pullman Kaifeng Jianye opened on 8 October 2015 with a site area of approximately 58,349 sq. m. and a total GFA of approximately 43,836 sq. m.. It is located at No. 16, Longting North Road, Longting District, Kaifeng City. Pullman Kaifeng Jianye is a five-star resort hotel comprising business conference, food & beverage, accommodation, leisure and entertainment. The building is a post-modern architecture in Northern Song style. It has 186 guest rooms or suites and is currently managed by Accor Hotels Group.

Yanling Jianye The Mist Hot Spring Hotel

Yanling Jianye The Mist Hot Spring Hotel, with a site area of 37,140 sq. m. and a total GFA of approximately 19,940 sq. m., is the first self-operated hotel of the Group. Yanling Jianye The Mist Hot Spring Hotel is a hot spring resort hotel comprising business conference, accommodation, food & beverage, leisure and entertainment, and has 51 guest rooms or suites. Its soft launch was in February 2018.

Zhengzhou Jianye Sky Mansion

Zhengzhou Jianye Sky Mansion is located at the northwest corner of the intersection of Dongfeng East Road and Kangning Street with a site area of approximately 3,847 sq. m. and a GFA of approximately 33,015 sq. m.. The project is featured as a high-end service apartment of the Group with a total of 302 rooms, ranging from single-family apartments to four-bedroom apartments. The apartment is equipped with all-day dining restaurant, Japanese Izakaya, gym center, swimming pool, children's play room and other facilities to provide occupants with safe, convenient, warm and comfortable living space. The soft launch of Zhengzhou Jianye Sky Mansion is scheduled to be in May 2018.

3. *Cultural Tourism*

Cultural tourism sector of the Company is engaged in development and operation of real estate projects for cultural tourism principally located in historic cities in Henan Province, such as Zhengzhou, Kaifeng and Luoyang. Having been rich in history, culture and natural resources, it tells the "Jianye story of cultural tourism" in different style, forms and substance through theme park, tourist district and real scenery performance. As at 31 December 2017, the Company had 4 projects for cultural tourism, namely Jianye • Huayi Brothers Film Town, Jianye "Henan Unique • The Country of War（只有河南•戰之國）", Zhengping Fang Cultural and Creativity Park in Luoyang and Jianye Ivi 1895.

Jianye • Huayi Brothers Film Town is the Company's strategic cooperation project with Huayi Brothers (Tianjin) Real Scene Entertainment Company Limited (the "Huayi Brothers") and one of the Type-A Key Construction Projects in Henan Province for 2017. The project is located in International Cultural and Creative Industrial Park in Zhengzhou with a planned total site area of approximately 1.33 million sq. m. and a total GFA of approximately 1.80 million sq. m. In the form of film scene and with an essence of historical culture and memory of the city, the project provides an experiential site for experiencing film culture incorporating tour of film scene, exhibition of film culture, film interactive games, folk and intangible cultural heritage experience, a series of large-scale performance, unique cuisine and themed inns. As at 31 December 2017, the first phrase of the project has been topped out. The second batch of construction land for the project was granted in July 2017, and the opening of the project was scheduled to be in 2019.

Jianye Unique is a large-scale acting and performance project co-developed with Wang Chaoge（王潮歌）, a director of real scenery performance, and is also one of the Type-A Key Construction Projects in Henan Province for 2017. The project is located in International Cultural and Creative Industrial Park in Zhengzhou with a total site area of approximately 600,000 sq. m.. Inspired by the long-standing and rich history and culture of Henan and applying an innovative performing way, the project aims to reveal the rich Central Plain culture as well as the glorious Chinese culture through the combination of several drama units with outdoor scene space as well as function space by making use of its unique architectural space, facilitating people to learn about those history and culture in multi-sensory approach. Jianye Unique will be developed as a contemporary themed drama park integrating acting and performance, exhibition and experience with the feature of Central Plain culture, custom and habit, as well as a perfect and innovative complex satisfying different needs for culture, arts, tourism and business. The construction land for the project was granted in August 2017. As planned, the construction of the project will be commenced in April 2018, and its opening will be in 2020.

Zhengping Fang Cultural and Creativity Park in Luoyang is a large-scale acting and performance projects co-developed with Wang Chaoge (王潮歌), a director of real scenery performance. Zhengping Fang Cultural and Creativity Park in Luoyang is located at Ancient Capital of 13 Dynasties, Luoyang City, Henan Province, and its development is currently under good progress.

Jianye Ivi 1895 is a cinematic theme event venue for culture and leisure co-developed with ivimovie Cultural Development Co. Ltd. The project pairs technology with culture, film with arts and vogue with leisure. Jianye Ivi 1895 provides cinema, performance theatre, cultural creativity center, reading room and technology zone, and its products featured by "uniqueness and customization" will be shown at cinemas simultaneously, creating a site for diversified cultural and entertainment. As at 31 December 2017, three Ivi theatres were in operation in Zhengzhou, and among the 71 Ivi theatres all over the country, three Jianye Ivi ranked the fifth, sixth and seventh respectively during the year. Moreover, since its opening, the synchronous hall in the MIXC theatre has recorded the highest output per seat and the highest purchasing rate of members in Henan.

4. *Green House*

CCRE's green houses are the establishment and operation of CCRE's modern agricultural projects. As at 31 December 2017, the Company had one green house completed and in operation, namely Yanling Jianye Green House, one green house initially constructed and ready for visiting, namely Hebi Jianye Green House, and two green houses under development, namely Zhoukou Jianye Green House and Yichuan Green House.

Yanling Jianye Green House

Yanling Jianye Green House is located in Yanling County, Xuchang City, less than 100 km from Zhengzhou City, with a total site area of approximately 3.33 million sq. m.. It is a countryside complex covering modern facility farming, traditional farming, agri-tourism and unique cuisine. The project is equipped with intelligent gutter-connected glass greenhouse, multi-functional exhibition hall, technology research center and culture room for cut flowers as well as 3,000 Chinese-mu eco-tree seedlings.

The number of visitors of Yanling Jianye Green House was in excess of 650,000 in 2017, including provincial and city level officials, local and foreign experts and researchers in relevant areas, Jianye property owners and members of "Jianye Junlin Club". The achievement transformation project of Henan Province of "Introduction and popularization of ornamental lotus", which is cooperated by the Project and Shanghai Institutes for Biological Sciences, Chinese Academy of Sciences, has passed the expert assessment and will be granted financial support from the local government for project research.

Hebi Jianye Green House

Hebi Jianye Green House is located at the urban-rural integration demonstration zone in Hebi City with a total site area of approximately 0.34 million sq. m.. It is a countryside complex covering popular science, experience, creativity, tourism and leisure. During the reporting period, the Project has completed more than 100 Chinese-mu of characteristic flower hill planting, and construction of 20,000 sq. m. of artificial lake and wedding lawn, 60,000 sq. m. of intelligent gutter-connected greenhouse, as well as flower trading center in North Henan. Hebi Jianye Foodcourt and Flower Trading Center has been put in operation.

Zhoukou Jianye Green House

The land circulation of Zhoukou Jianye Green House is 5,700 Chinese-mu, with the remaining about 1,000 Chinese-mu of channel land are under circulation. The Project has fulfilled the following constructions: firstly, the main structure of about 5,000 sq. m. of office and accommodation area is currently under renovation and is expected to be accomplished by March; secondly, the main structure of 36,000 sq. m. of greenhouse area is currently under installation of the top of the outer facade and the external construction is scheduled to be completed before the Spring Festival; thirdly, 80% of a landscape demonstration area of about 150,000 sq. m., and tree planting have completed.

Yichuan Jianye Green House

Yichuan Jianye Green House is located in North of Zhangyao Village, Jiangzuo Town, Yichuan County, Luoyang City, with approximately 5,900 Chinese-mu and total investment amount of RMB2 billion. The overall positioning strategy of the project is a countryside complex concerning six highlights of "modern agriculture, ecological leisure, cultural creativity, experience center, science popularization and healthcare", with maintaining sustainable development for protecting ecological environment as its basis and with development strategy focusing on "agricultural + cultural tourism + healthy", by establishing of "demonstration zone of modern agricultural complex + ecological culture protection + picturesque village + Jianye foodcourt". During the reporting period, the temporary office of the project was completed and has been put in operation.

Zhengxi U-Town

Luoyang Sweet-Scented Osmanthus Garden

Six newly signed countryside complexes in 2017:

In 21 July, "agricultural complex" project signed with the People's Government of Shangqiu Suiyang District;

In 2 September, agreement signed with Cultural Tourism of Jigong Mountain Management Zone Investment Promotion;

In 11 October, strategic cooperation framework agreement signed with the People's Government of Lankao County, Kaifeng City;

In 27 October, strategic cooperation agreement signed with the People's Government of Wuzhi County, Jiaozuo City;

In 14 December, strategic cooperation agreement signed with the People's Government of Xiangcheng County, Xuchang City;

In 29 December, strategic cooperation agreement signed with the People's Government of Wolong District, Nanyang City.

5. *Light-asset Model Projects*

On the basis of the intensive judgment of the development trend of the real estate industry by the Company and leveraged the impressive brand influence of CCRE in its target markets, the outstanding management team, the established product system and service system, the comprehensive capability of resources allocation and integration, the Company delivered its brands, management and capital, thus expanding its market share and enhancing its profitability, in order to accomplish the mission of "building quality houses for the people of Henan". In addition, the Company further consolidated its resources of quality lands, design, construction and other service, and constantly strengthened its capability of management, operation and providing services. The Company strove to build and share a comprehensive service platform for real estate development and operation and to establish a complementary, win-win, open and dynamic enterprise ecosystem, to enhance its comprehensive competitiveness and creativity.

Henan Zhongyuan Central China Construction and City Development Limited*（河南中原建設城市發展有限公司, hereinafter referred to as "Zhongyuan Jianye"), a subsidiary of the Company, is in charge of expanding and management of light-asset business and positions itself as a comprehensive service provider for real estate development. As at 31 December 2017, the Company has entered into contracts for 75 light-asset model projects in total with expected total GFA of approximately 12,460,000 sq. m. according to those contracts. Zhongyuan Jianye is responsible for constantly formulating and optimizing standardized management principles and agreements, improving talent development program, partnership pairing up and evaluation mechanism, enhancing products and services supervision mechanism, and building resources integration and share platform.

(III) Land Reserves

During the reporting period, the Group acquired land with a site area of approximately 5.75 million sq. m. through public land auctions and equity acquisitions, which newly added land reserves with a total GFA of approximately 14.67 million sq. m.. As at 31 December 2017, the Company had land reserves with a total GFA of approximately 31.88 million sq. m., including beneficially interested GFA of approximately 24.25 million sq. m..

1. *Public Land Auctions*

In January 2017, the Group acquired the land use rights of three land parcels located at the east of Zijing Road, Gongyi County, Zhengzhou City. The purchase price for the acquisition was approximately RMB219 million. The three land parcels have a total site area of 125,981 sq. m..

In March 2017, the Group acquired the land use rights of a land parcel located at the south of Bode Road West and the west of Zhiyuan Avenue, Luyi County, Zhoukou City. The purchase price for the acquisition was approximately RMB85 million. The land parcel has a site area of 63,988 sq. m..

In March 2017, the Group acquired the land use rights of a land parcel located at the south-east of the intersection between Yancheng Road and Bailing Avenue, Xiangcheng County, Xuchang City. The purchase price for the acquisition was approximately RMB72 million. The land parcel has a site area of 56,349 sq. m..

In March 2017, the Group acquired the land use rights of four land parcels located at the east of Pushang Road North and the south of Longze Avenue in Puyang City. The purchase price of the acquisition was approximately RMB794 million. The four land parcels have a total site area of 252,032 sq. m..

In April 2017, the Group acquired the land use rights of twelve land parcels located at Hongtang Bufu Village, Tianya Town, Sanya City, Hainan Province. The purchase price of the acquisition was approximately RMB2,626 million. The twelve land parcels have a total site area of 887,920 sq. m..

In May 2017, the Group acquired the land use rights of two land parcels located at the central business district of Shenqiu County. The purchase price of the acquisition was approximately RMB145 million. The two land parcels have a total site area of 103,779 sq. m..

In May 2017, the Group acquired the land use rights of three land parcels located at Wolong District, Nanyang City. The purchase price of the acquisition was approximately RMB113 million. The three land parcels have a total site area of 55,026 sq. m..

In June 2017, the Group acquired the land use rights of a land parcel located at the Dongfeng Road North and the east of Rantun Road East, Zhengzhou City. The purchase price of the acquisition was approximately RMB367 million. The land parcel has a site area of 34,700 sq. m..

In June 2017, the Group acquired the land use rights of three land parcels located at the west of Daling Road and the south of Zhongxin Avenue, Sanmenxia City. The purchase price of the acquisition was approximately RMB107 million. The three land parcels have a total site area of 55,026 sq. m..

In June 2017, the Group acquired the land use rights of two land parcels located at the south of Xinsi Street, Gushi County, Zhumadian City. The purchase price of the acquisition was approximately RMB123 million. The two land parcels have a total site area of 122,627 sq. m..

In July 2017, the Group acquired the land use rights of seven land parcels located at the International Cultural and Creative Industrial Park in Zhengzhou City. The purchase price for the acquisition was approximately RMB1,109 million. The seven land parcels have a total site area of 322,002 sq. m..

In July 2017, the Group acquired the land use right of a land parcel located at the north of Renminzhong Road, Xincai County, Zhumadian City. The purchase price for the acquisition was approximately RMB69 million. The land parcel has a site area of 63,673 sq. m..

In July 2017, the Group acquired the land use right of a land parcel located at the east of Shiju Road and the north of Tuanjie Road, Qinyang County, Jiaozuo City. The purchase price for the acquisition was approximately RMB98 million. The land parcel has a site area of 51,751 sq. m..

In July 2017, the Group acquired the land use right of a land parcel located at the north of Fengshou Road and the east of New Jiaozuo University, Jiaozuo City. The purchase price for the acquisition was approximately RMB427 million. The land parcel has a site area of 57,432 sq. m..

In July 2017, the Group acquired the land use right of a land parcel located at the north of Renmin Road and the east of Zhongxing Road, Macun District, Jiaozuo City. The purchase price for the acquisition was approximately RMB126 million. The land parcel has a site area of 73,337 sq. m..

In July 2017, the Group acquired the land use right of a land parcel located at the south of Yuhe Road and the west of Yuquanshan Road, Luohe City. The purchase price for the acquisition was approximately RMB138 million. The land parcel has a site area of 84,105 sq. m..

In August 2017, the Group acquired the land use rights of nine land parcels located at the International Cultural and Creative Industrial Park in Zhengzhou City. The purchase price for the acquisition was approximately RMB1,556 million. The nine land parcels have a total site area of 597,227 sq. m..

In August 2017, the Group acquired the land use rights of two land parcels located at the south of Yuying Middle School, Zhengyang County, Zhumadian City. The purchase price for the acquisition was approximately RMB90 million. The two land parcels have a total site area of 88,543 sq. m..

In September 2017, the Group acquired the land use rights of three land parcels located at the southwest of the junction between Qinghe Avenue and Chaoyang Road, Pingyu County, Zhumadian City. The purchase price for the acquisition was approximately RMB153 million. The three land parcels have a total site area of 170,344 sq. m..

In September 2017, the Group acquired the land use right of a land parcel located at the west of Fumin Road, the south of Jianshe Road and the north of Renmin Road Elementary School, Xiangcheng County, Zhoukou City. The purchase price for the acquisition was approximately RMB66 million. The land parcel has a site area of 35,638 sq. m..

In September 2017, the Group acquired the land use right of a land parcel located at the south of Boduo West Road and the east of Mingdao Road, Luyi County, Zhoukou City. The purchase price for the acquisition was approximately RMB122 million. The land parcel has a site area of 74,153 sq. m..

In September 2017, the Group acquired the land use rights of three land parcels located at the intersection between Yinghe Road and Guihua 3rd Road, Dengfeng County, Zhengzhou City. The purchase price for the acquisition was approximately RMB340 million. The three land parcels have a total site area of 148,704 sq. m..

In September 2017, the Group acquired the land use rights of a land parcel located at the northeast of the intersection between Xindong Road and Zhongyuan East Road, Puyang City. The purchase price for the acquisition was approximately RMB280 million. The land parcel has a site area of 92,051 sq. m..

In September 2017, the Group acquired the land use rights of three land parcels located at the east of Canglong East Road, west of Ganshan Road and north of Boyang Road, Sanmenxia City. The purchase price for the acquisition was approximately RMB370 million. The three land parcels have a total site area of 164,567 sq. m..

In October 2017, the Group acquired the land use rights of two land parcels located at the north on east section of Hexin Road, Suiping County, Zhumadian City. The purchase price for the acquisition was approximately RMB108 million. The two land parcels have a total site area of 99,464 sq. m..

In October 2017, the Group acquired the land use rights of two land parcels located at the east of Longshan Avenue and the south of Guihua Jiancai Road, Ruzhou County, Pingdingshan City. The purchase price for the acquisition was approximately RMB168 million. The two land parcels have a total site area of 92,768 sq. m..

In October 2017, the Group acquired the land use rights of two land parcels located at the south of Runing Avenue and the east of Kangqiang Road, Runan County, Zhumadian City. The purchase price for the acquisition was approximately RMB132 million. The two land parcels have a total site area of 87,721 sq. m..

In December 2017, the Group acquired the land use rights of a land parcel located at the south of Boduo West Road and east of Mingdao Road, Luyi County, Zhoukou City. The purchase price for the acquisition was approximately RMB121 million. The land parcel has a site area of 64,139 sq. m..

In December 2017, the Group acquired the land use rights of three land parcels located at the south of Xiyuan Road and east of Xinmin Road, Huaiyang County, Zhoukou City. The purchase price for the acquisition was approximately RMB117 million. The three land parcels have a total site area of 102,932 sq. m..

In December 2017, the Group acquired the land use rights of twelve land parcels located at the outer ring of the Hudao Island on Beilong Lake, Zhengdong New District, Zhengzhou City. The purchase price for the acquisition was approximately RMB2,073 million. The twelve land parcels have a total site area of 115,895 sq.m..

2. *Equity Interest Acquisitions and Disposals*

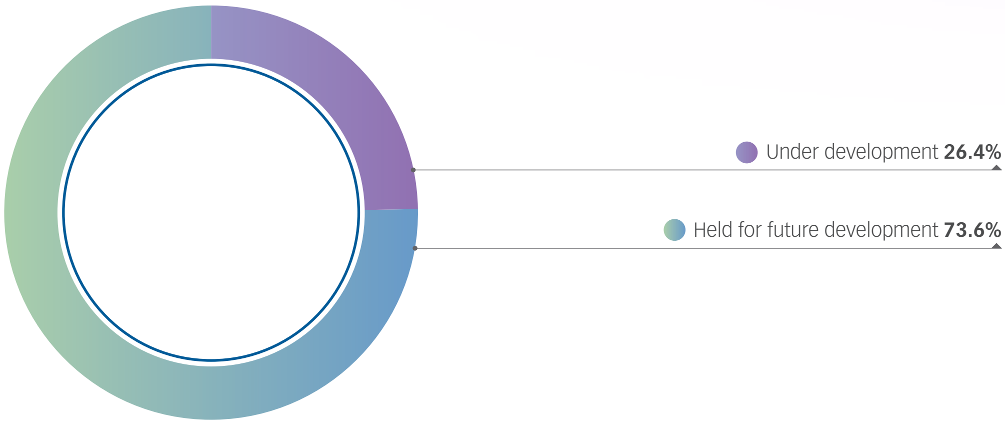
As at 31 December 2017, the Group, through equity interest acquisitions, acquired 33, in aggregate, land parcels with a total site area of 1,277,150 sq. m. in Zhengzhou City, Shangqiu City, Zhumadian City, Zhoukou City, Luoyang City and Anyang City.

3. *Distribution of land reserves*

(1) Distribution of the Company's land reserves by current development status

Fig: distribution of land under development and land held for future development in the Company's land reserves

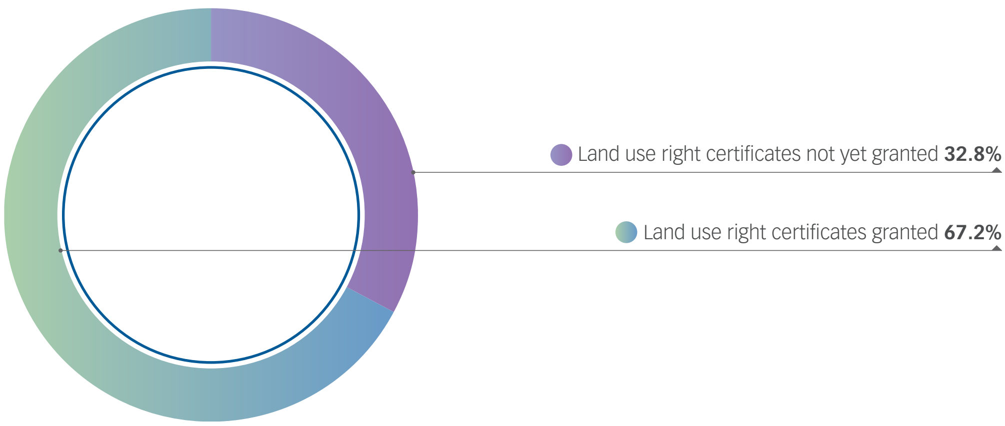
(as at 31 December 2017)



(2) Distribution of the Company's land reserves by land use right certificates

Fig: percentage of the Company's land reserves for which land use right certificates had been granted and those had not been granted

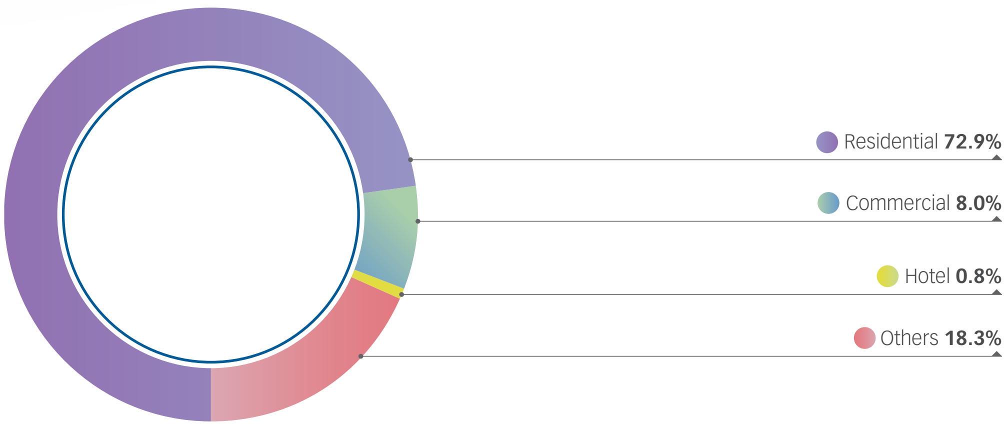
(as at 31 December 2017)



(3) Distribution of the Company's land reserves by property types

Fig: distribution of the Company's land reserves by property types

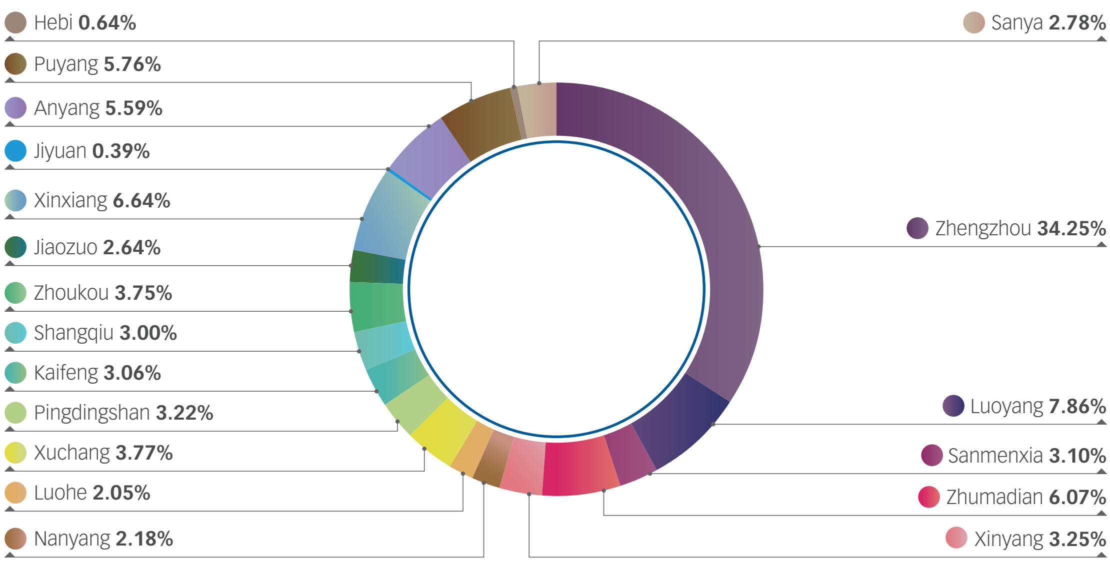
(as at 31 December 2017)



(4) Distribution of the Company's land reserves by cities

Fig: distribution of the Company's land reserves by cities

(as at 31 December 2017)



(IV) Product Research and Development

The Company always adheres to the general principles of serialisation, standardisation and commercialisation for product development, and has established a unique product line system on a concrete foundation of serialisation and standardisation which the Company had laid for years. For product development of the Company, customers' experience has been considered as the essence, "Green, Low-carbon, Energy-saving and Technology" as the notion for research and development of product as well as design and construction.

Quality Enhancement

2017 marks the year of "Quality Enhancement" for the Company. During the reporting period, oriented from customer experience, the Company made amendments and enhancement to its product standards, and comprehensively improved the quality of both the old and new housing complexes through establishing relevant systems, conducting inspection and appraisal and other methods.

Product Line Sorting

During the reporting period, the Company sorted and studied thoroughly the original series and standards, refined the classification of customers and land, and matched the products with land and customers as well as product identifying with product classification. With all those measures, the Company has established a unique product line system.

Product Research, Development and Innovation

During the reporting period, the Company continuously deepened and refined the architectural design, and came out with products of wide and horizontal living rooms with increased competitiveness through an understanding of customers' needs. The "Platform for Product Standardisation, Design and Management" was launched for regulating design and management procedures, compiling product data base and securing product quality by means of informatisation. The Company was able to improve the accuracy of design by employing the advanced building information modeling (BIM) technology in advance for our key projects.

Fully Decorated House

The Company adheres to the development concept of "Green, Low-carbon, Energy-saving and Technology" and conducts study on the fully decorated house system. During the reporting period, through research and development, the Company formulated the "Standard Product Rating System for Refined Decoration House of CCRE" which was promoted and then applied to some key projects, such as Spring Time. By incorporating the elements of intelligence and technology into product design, the Company shows meticulous care to its customers.

Commercialisation

Riding on the established foundation of standardisation, the Company made technical research and development on commercialisation technology, established corresponding technical standards and applied commercialisation technology to architectural design of CCRE Orange Garden（建業橙園）.

(V) Customer Service and Customer Relations

In 2017, the Company continued to actively transform into a "New Lifestyle Service Provider" by providing personalised, customised and differentiated products and services, with an aim to create a new lifestyle to the customers.

2017 is the year of "Quality Enhancement" of the Company in which the Company is fully enhancing the quality of our products and services in six dimensions, creating better houses, better services and better lifestyle for the people in Henan with our professional attitude of striving for excellence. Provision of better houses represents our breakthrough improvements on site selection, layout planning, auxiliary facilities, scenic view and house configuration with our extensive research and development capability with an aim to satisfy the basic housing need of the people in Henan with our novel products. Better services represent provision of fully upgraded services through our three major service regimes, namely the CCRE Property 1.0, the "E + Family" APP 2.0 and the "Jianye Junlin Club" 3.0, for satisfying the need of property owners for more delicate, civilized and personalized services. Better lifestyle represents the development of comprehensive intelligent living, such as travel, hotel lifestyle, wealth investment and countryside for increasing the fondness of the people in Henan for new lifestyle with our sufficient internal and external resources.

During the reporting period, the Company continued to enhance customers' satisfaction and product quality, strengthened basic services by emphasizing risks management, upgrading our mystery shopper program and the "Improvement and Enhancement" campaign (琢玉行動) and strictly observing the requirements for joint acceptance inspection, while coming up with new idea of working by introducing one-stop property delivery services and establishing a "Fix-it Quick" maintenance team for further optimizing property delivery procedure, improving our customer service regime by releasing the addresses of customer service counter. The "Sunshine Declaration" was posted at the place where the sale is to take place in order to reduce the risk of receiving customers' complaints. The "Home Broadcast" has been launched, focusing on the continuous care for signed customers. The Company has implemented the "Model Flat" program and introduced "Housekeeping Services" to promote the standardization of marketing services, initiated "Jianye with You" to enable property owners to get a foretaste of property service before moving in, which have promoted continuous improvement of customer satisfaction and stability in the ranks of satisfactory for excellent property enterprises.

BUSINESS OUTLOOK

1. The Macro-economic Landscape

In 2017, the macro economic landscape maintained positive momentum in stability with remarkable enhancement in stability, coordination, and sustainability of economic development. Looking forward, in the year 2018, the government is expected to maintain consistency and stability of its policy, continue to implement an active fiscal policy and a prudent and neutral monetary policy, take coordinated steps to achieve steady growth, facilitate reforms, adjust structures, improve livelihood and prevent risks, optimise two pillars of monetary policy and macro-prudential policy framework and prevent and divert financial risks. In terms of the total demand, it is possible that there will be an insignificant decline in the demand of the government and residential segments and a sign of slight cyclical downturn after a rise in respect of the economy as a whole. The major conflict of the movement of interest rates will be converted into "deleveraging vs stable growth". The Company anticipated that the macro-economic landscape in 2018 will remain stable in general.

In 2017, the major macroeconomic indicators of Henan Province maintained steady growth. Adjustment and optimisation of economic structure, continuous improvement in quality and efficiency, steady enhancement in development drivers gave rise to the trend of positive growth in stability and emergence of new momentums. Leveraging on the national strategy in tandem with extra advantages, Henan Province was able to demonstrate its role as a hub for transportation, increasingly accelerating the progress of industrial upgrades, thereby further facilitating economic development. It is expected that the macro-economic landscape in Henan Province will continue to record steady growth in 2018.

2. Property Market Outlook

In 2017, against the backdrop of the central government's emphasis on housing for dwelling, local governments adopted clearly different regulatory policies. The regulatory policies in red-hot cities were tightened constantly and governments at all levels intensified property purchase restrictions and mortgage restrictions as well as various regulatory measures. While strengthening regulations on real estate financing, the governments imposed restrictions on property sales and the scope of which was being expanded, with a view to curbing demands for housing speculation and investment. Under such an environment, China saw a more fragmented property market, and the first-tier cities, former red-hot second-tier cities and third and fourth-tier cities around the first-tier cities became the key targets of market regulation. The property market will face a challenging environment in 2018. According to our judgments made based on factors such as the curbing of demands, the reduction of residents' leverage and unbalanced demand and supply, in 2018, the sales amount and GFA of the industry will fall slightly from high levels. Affected by a tightening financing environment, property developers will be less willing to invest and will remain cautious when it comes to land acquisition, and it is very likely that the sales volume in the land market will decline while the price remain stable or decline. There is a possibility that all kinds of indicators will stabilize and improve as property developers adapt to relevant policies subsequently, however, various growth rates will still lag behind those in 2017.

The growth rate of the macroeconomy in Henan Province is faster than the national average with relatively slow urbanization development. Therefore, the property market in Henan Province still has a high potential for development. In 2017, the sales GFA of commodity housing in Henan Province increased by 27.01%, which was much higher than the national average of 13.7% and demonstrated the strong development of the property market in Henan Province. The property market in Zhengzhou, a "New First-tier" city, entered a period of adjustment while the property markets in most of the third and fourth-tier cities in the province reported strong sales growth. In 2018, as the property market in Zhengzhou will continue its adjustment and the property markets in most of the third and fourth-tier cities will cool down gradually, the growth of the property sales in Henan Province will slow down quickly, however, the performance of the property market in Henan Province as a whole will still beat the national average.

3. Business Planning

In 2018, the Company will make greater vigor in land acquisitions and land development as well as the profitability enhancement of key regions with an aim to achieve substantial growth in scale. In addition, co-branding partnerships will be formed for exploring creative marketing ideas to maintain a satisfactory annual performance of the Company, laying the Company a concrete foundation for sustainable and stable development.

1. *Construction Plans#*

In 2018, the Company plans to commence construction of a total of 62 projects or phases, with a GFA of approximately 10,044,057 sq.m..

City	Project Name	Principal use of property	GFA Planned for construction (sq. m.)
Zhengzhou	Zhengxi U-Town	Residential	248,893
Zhengzhou	Dengfeng Project*	Residential	510,567
Zhengzhou	Blossom Garden	Residential	330,715
Zhengzhou	Wulong Century New City	Residential	243,871
Zhengzhou	Kaiyue Plaza	Residential	230,205
Zhengzhou	Lvbo Garden Project*	Residential	444,206
Zhengzhou	Film Culture Town	Residential	106,181
Zhengzhou	Zhiyou Henan	Residential	229,541
Zhengzhou	Financial Island Project*	Commercial	220,000
Luoyang	Dingding House	Residential	101,100
Luoyang	α City	Residential	266,762
Kaifeng	Taihe House	Residential	210,000
Kaifeng	Xiangfu District Project*	Residential	129,100
Shangqiu	Headquarter Port	Commercial	144,413
Shangqiu	Xingfuli	Residential	156,404
Shangqiu	Sky Mansion	Residential	172,240
Shangqiu	Zhecheng Jianye City	Residential	193,480
Zhumadian	Eighteen Cities	Residential	108,355
Zhumadian	Suiping Forest Peninsula	Residential	208,725
Zhumadian	Xiping Forest Peninsula	Residential	116,512
Zhumadian	Xincai CCRE Mall	Residential	151,200
Zhumadian	Ru'nan Jianye City	Residential	184,788

City	Project Name	Principal use of property	GFA Planned for construction (sq. m.)
Xinyang	Jianye City	Residential	158,347
Xinyang	Yinxiang Hushan	Residential	130,183
Pingdingshan	Ruzhou Sweet-Scented Osmanthus Garden	Residential	164,965
Sanmenxia	Jianye City	Residential	116,690
Sanmenxia	Honour Mansion	Residential	339,029
Xuchang	Chinoiserie House	Residential	105,000
Xuchang	Senyuan Heavy Industry Project*	Residential	110,367
Anyang	Huaxian Code One City	Residential	197,884
Anyang	Jianye City	Residential	110,725
Anyang	Sweet-Scented Osmanthus Garden	Residential	184,804
Anyang	Chinoiserie House	Residential	180,000
Anyang	Code One City	Residential	178,000
Anyang	Linzhou CCRE Mall	Residential	139,816
Hebi	Triumph Plaza	Residential	105,400
Puyang	Code One City	Residential	118,820
Puyang	Chinoiserie House	Residential	429,611
Puyang	Tonghe House	Residential	201,710
Xinxiang	Beverly Manor	Residential	161,604
Xinxiang	U-Town	Residential	118,150
Xinxiang	Eighteen Cities	Residential	248,730
Jiaozuo	Spring Time	Residential	136,017
Jiaozuo	Chinoiserie House	Residential	218,575
Nanyang	Shilihushan	Residential	109,033
Nanyang	Lihedian Project*	Residential	234,865
Zhoukou	Landmark	Residential	130,000
Zhoukou	Code One City	Residential	121,523
Zhoukou	Huaiyang Jianye City	Residential	204,272
Zhoukou	Luyi Jianye City	Residential	132,016
Others			550,663
Total			10,044,057

* *project names to be confirmed*

2. *Completion Plans#*

The Group plans to complete 47 projects or phases with a completed GFA of 5,201,517 sq.m. for delivery in 2018.

City	Project Name	Principal use of property	GFA Planned for construction (sq. m.)
Zhengzhou	Zhengxi U-Town	Residential	97,330
Zhengzhou	Triumph Plaza	Commercial	54,406
Zhengzhou	Gongyi Spring Time	Residential	173,875
Zhengzhou	Canal Courtyard	Residential	105,498
Zhengzhou	Blossom Garden	Residential	788,174
Zhengzhou	Intelligent Palace	Residential	166,045
Zhengzhou	Wulong City	Residential	226,617
Zhengzhou	Tihome Jianye International City	Residential	257,599
Luoyang	Sweet-Scented Osmanthus Garden	Residential	96,334
Luoyang	Huayang Fengdu	Residential	63,478
Luoyang	Poly Champagne International	Residential	182,843
Kaifeng	Chrysanthemum Garden	Residential	52,885
Shangqiu	Zhecheng U-Town	Residential	100,843
Shangqiu	Yongcheng U-Town	Residential	75,842
Shangqiu	Central Garden	Residential	86,923
Shangqiu	Zhecheng Jianye City	Residential	193,480
Zhumadian	Eighteen Cities	Residential	148,233
Zhumadian	Xiping Forest Peninsula	Residential	89,151
Zhumadian	Xincai CCRE Mall	Residential	110,363
Xinyang	Jianye City	Residential	56,064
Pingdingshan	Wugang Forest Peninsula	Residential	60,102
Sanmenxia	U-Town	Residential	56,597
Luohe	Xicheng Forest Peninsula	Residential	67,220
Xuchang	Changge Spring Time	Residential	85,571
Xuchang	Chinoiserie House	Residential	67,288
Xuchang	Yuzhou Sweet-Scented Osmanthus Garden	Residential	66,742
Xuchang	Yanling Eco-City	Residential	52,105
Anyang	Linzhou CCRE Mall	Residential	52,889
Hebi	Code One City	Residential	92,002
Puyang	Code One City	Residential	179,106
Xinxiang	Beverly Manor	Residential	60,826
Xinxiang	Code One City	Residential	197,775
Xinxiang	Changyuan Forest Peninsula	Residential	72,734
Jiaozuo	Central Garden	Residential	107,438
Nanyang	Code One City	Residential	269,914

City	Project Name	Principal use of property	GFA Planned for construction (sq. m.)
Nanyang	Shilihushan	Residential	109,033
Zhoukou	Forest Peninsula	Residential	56,609
Zhoukou	Luyi Jianye City	Residential	152,079
Zhoukou	Luyi Mingdao City	Residential	53,359
Others			216,146
Total			5,201,517

Note:

Construction plans and completion plans may be adjusted in accordance with the approval progress by the government toward projects and other environmental factors.

RISK MANAGEMENT

The Company are committed to improve our risk management capability for ensuring on-going profitability and steady growth of our business.

Risk Management Philosophy of the Company

Risk is inherent in property market and the Company's business. The challenge is to identify risks and manage those risks to maximise benefit. We recognise that risk management is the responsibility of every staff within the Group. Rather than being a separate and standalone process, risk management is integrated into business processes including strategy development, business planning, capital allocation, investment decisions, internal control and day-to-day operations.

MATERIAL RISKS OF THE GROUP

During 2017, our business planning process has identified the following as material risks of the Company:

Risk Description	Risk Changes in 2017	Key Measures for Risk Management
Financial Risks		
The Company's credit ratings may be downgraded. A downgrade may trigger higher costs of corporate financing of the Company in the future.	With the announcement of 2016 annual results, the credit rating of the Company was downgraded in the second quarter.	1. Evaluate business strategies, review capital structure and lock in long-term funding to ensure liquidity; and 2. Maintain sufficient undrawn credit facilities to fulfill the liquidity demand of the Company.
Senior notes of the Company are mainly denominated in USD, whereas the source of income of the Company is in RMB. RMB exchange rate volatility may expose the Company to foreign currency risk.	RMB exchange rate volatility has become a market norm.	1. Hedge currency exposures in line with the Company's business strategies; and 2. Closely monitor the effects of RMB exchange rate volatility on the Company.
Operational Risks		
There is uncertainty in requirements by the government on project planning. Changes requested by the government at stage of approval may increase our development costs.	Uncertainty in requirements by the government increases due to the continuous changing urban planning and every kind of new policies.	Enhance communication with governmental departments for minimising repeated reporting on construction for approval.
Major property developers may commence operations in Henan Province, resulting in fierce market competition.	Risk level remains broadly the same.	1. Bolster the brand's market influence; and 2. Enhance product quality and improve comprehensive service.
Government's progress of land clearance or adjustment on urban planning of individual projects may be below expectation and affect the development progress.	Risk level remains broadly the same.	Enhance communication and coordination with governmental departments for satisfying criteria of commencement of construction of the projects promptly.
Massive impact of increase in steel price made on steel products.	Impact of increase in steel price by approximately 30% during the year on real estate cost.	1. Introduce a mechanism for price adjustment included in central procurement tendering for eliminating continual impact of subsequent steel price volatility on prices of materials; and 2. Pay attention to the impact of steel price on cost.

Risk Description	Risk Changes in 2017	Key Measures for Risk Management
Policy Risks		
Purchase limits, mortgage restrictions, sale limits in 2017, a general increase in mortgage interest rates by approximately 20% and extensive market regulations may have significant impact on property sales and may also create opportunities for leasing market	Risk level has been increasing.	1. Closely monitor the changes in policies; 2. Adjust product structure promptly; 3. Flexibly adjust the sales pace and strategy; and 4. Enhance asset management capabilities and operating competitiveness.

Investor Relations Report

Investor Relations Report

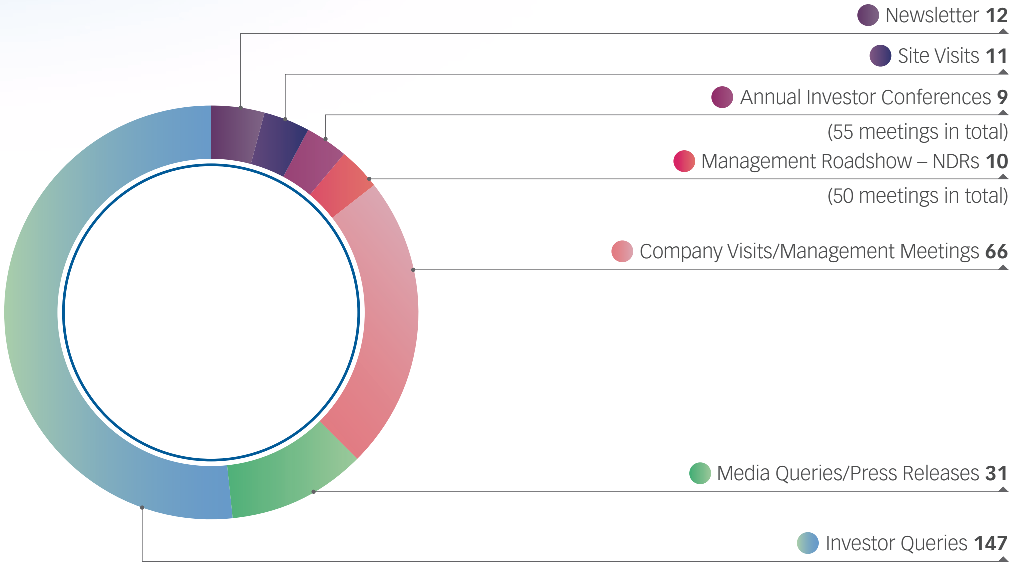
The Group highly values the relationships with investors, analysts, media and other stakeholders. The investor relations department of the Group actively participates in the communication in capital markets, striving to maintain highly transparent investor relations through timely and accurate information disclosure and proactive communication.

In 2017, the Group's investor relations department proactively held and participated in various investor relations activities, including interim and annual results announcements, site visits in Henan Province with investors or analysts, as well as post-results roadshows, non-deal roadshows (NDRs), reverse roadshows and domestic and foreign investor forums and seminars, etc in Hong Kong, Singapore, Beijing, London and New York, etc, in order to broaden our investors base. The department also dedicated in maintaining open communication with investors, analysts, medium and rating agencies and updated them about the Group's latest business performance and development through various channels and activities, including company visits, tele-conferences, email communication, monthly corporate newsletters, press releases and voluntary announcements. All these provided investors sources of comprehensive knowledge and understanding of the Group's operating strategies, financial performance and prospects, also building up a channel conveying feedbacks and suggestions from capital markets. Interim and annual results reports, press releases, monthly corporate newsletters, monthly sales figures and announcements can be accessed at the Group's website and official wechat public account, which enables investors to get knowledge of the latest corporate development updates timely and conveniently.

MAJOR INVESTOR RELATIONS ACTIVITIES OF THE GROUP IN 2017

Date	Conference	Organizer	Location
10-11 January 2017	dbAccess China Conference 2017	Deutsche Bank	Beijing
16 January 2017	Asia Credit Corporate Day	Barclays	Hong Kong
27 March 2017	2016 Annual Results Investor Briefing	CCRE	Hong Kong
29-30 March 2017	Post Annual Result Management NDR	CCRE	Singapore
30 March 2017	20th Annual Asian Investment Conference	Credit Suisse	Hong Kong
12 April 2017	UBS Hong Kong/China Property Conference	UBS	Hong Kong
26 April 2017	Non-Deal Roadshow	CCRE	Shanghai
15 May 2017	dbAccess Asia Conference 2017	Deutsche Bank	Singapore
19 May 2017	Annual General Meeting	CCRE	Hong Kong
12 July 2017	Non-Deal Roadshow	BNP Paribas	Hong Kong
1 September 2017	2017 Interim Results Investor Briefing	CCRE	Hong Kong
4-5 September 2017	Post-Interim Results Management NDR	DBS Vickers	Hong Kong
5 September 2017	Post-Interim Results Management NDR	Bank of Merrill Lynch	Hong Kong
6 September 2017	Post-Interim Results Management NDR	DBS Vickers	Singapore
7 September 2017	Post-Interim Results Management NDR	Standard Chartered Bank	Singapore
4 October 2017	Non-Deal Roadshow	Mizuho	London
5 October 2017	Credit and Equities Emerging Markets Conference 2017	JP Morgan	London
9 November 2017	2017 China Conference	Bank of Merrill Lynch	Beijing
16 November 2017	Nomura Asian High Yield Corporate Day	Nomura	Hong Kong
4 December 2017	Global Mizuho Investor Conference (MIC) 2017	Mizuho	New York

Investor Relations Report in 2017 (times)



PROSPECTS

The Group will continue to be receptive to the market's views candidly and humbly. It will endeavor to maintain effective communication with stakeholders. As a way to gauge capital markets' perception of the Group, we will continue to improve the quality of investor relations management and will ponder on investors' concerns and advices in order to further enhance the Group's operating management and cooperate governance. The investor relations department will maintain professionalism at its work so that capital markets will be able to gain a thorough understanding of the Group's business. This will help unlock the potential investment value and contribute to the long term and healthy development of the Group.

Environmental, Social and Governance Report

As the largest private enterprise in Henan Province, the Company not only has the ambition to cultivate a top real estate brand in China, but also strives to become a reliable life partner for Henan community and its public. Since its establishment 25 years ago, the Company has been seeking for a balance between business development and social responsibility. To this end, it strikes a balance among environment, society and governance while enhancing its corporate value in a dedicated effort to become a good corporate citizen honouring its social responsibility.

WORKING ENVIRONMENT

Since its establishment, the Group has been committed to the alignment of corporate interest to the interest of its employees. A series of comprehensive protocols, systems and rules have been formulated to safeguard employees' interest, covering welfare measures such as competitive salary packages, staff care, comprehensive training and career development, universal social security fund scheme and labour contract management. The working hours and break time of the employees of the Company are fixed pursuant to the relevant requirements for working hours and breaks and leaves provided in the Chapter 4 of the Labour Law of the PRC. The policy on staff diversity is in compliant with the relevant requirements for promoting employment provided in the Chapter 2 of the Labour Law of the PRC. The policy on termination of employment between employees and the employer is conducted in accordance with the relevant requirements under the Labour Law, the Labour Contract Law and the Implementation Rules for the Labour Law of the PRC. The administration for social insurance and housing provident fund contribution for the employees was conducted in compliance with the relevant regulations under the Social Insurance Law of the PRC and the Regulations on the Management of Housing Provident Fund in Henan Province. Meanwhile, the labour union committee of the Group was established in June 2002 to protect the rights of the employees. A charity fund called "Family Relief Foundation" was also permanently set up to show our great care and provide relief for employees in need in honour of our great tradition of solidarity and mutual aid.

Overview

As at 31 December 2017, the Group had 2,966 employees with an annual turnover rate of approximately 13.6%. The numbers of employees by age, education level and function are set out as below:

By age

Age	Number of employees
20–30	1,526
31–40	1,076
41–50	306
51–60	46
61 or above	12
Total	2,966

By education level

Education level	Number of employees
Master degree or above	298
Bachelor degree	1,756
Associate degree	864
Middle school or below	48
Total	2,966

By function

Function	Number of employees
Finance and accounting	436
Engineering	492
Management	294
Design	183
Investment	140
Sale, marketing and customer service	920
Administrative	281
Others	220
Total	2,966

In order to promote healthy competition among employees and motivate them to enhance work performance, as part of our remuneration policy, the Company has introduced a performance appraisal and rating system and determines individual bonus, salary adjustment and redeployment based on the appraisal results. Employees that meet certain performance criteria in the annual performance appraisal will have the opportunity for bonus, pay rise or promotion. Moreover, the Company also pays great attention to employees' career development, assists them in making career development plans according to their specialties and skills, and prioritises promotion of outperforming employees pursuant to the Internal Competent Appointment Rules of CCRE in light of the fair promotion principle of "competence prevails".

Apart from employees' salaries and benefits, the Company also places emphasis on the internal workplace culture and thus always encourages employees to help and inspire each other so as to build a united and cohesive "Big CCRE Family". To this end, the Company founded the "Family Relief Foundation" with internal resources to offer support to employees in urgent financial needs, which fully embodies our spirit of solidarity.

At the same time, in order to fully motivate the Company's project operation team and improve project operation efficiency and investment benefits, the Company implemented a Project Partner Program, devoting itself to establishing a mechanism for mutual creating, undertaking and sharing between the Company and its employees.

Occupational Safety

Occupational safety has always been one of the Company's priorities in governance. To set up safety standards for construction projects, the Company has formulated a series of guidelines including the Engineering Management System of CCRE, the Construction Site Safety and Civilisation Standards of CCRE, the Required Inspection Items for Construction of CCRE and the Worker Protective Supplies Management Measures of CCRE, which detail the codes of practice at construction sites and operational instructions for machinery and equipment to prevent industrial accidents and ensure personal safety of the front-line staff. The system for occupational safety was implemented by the Company in accordance with the relevant laws and regulations including the Labour Law and the Construction Law of the PRC, the Regulations of Henan Province on the Administration of the Construction Market and the Regulations of Henan Province on Safety in Production. Besides seminars at construction sites, the Company also arranges occupational safety training for employees at all levels and regularly invites personnel of the fire services department to lecture on safety knowledge, thereby increasing the safety awareness of our employees. Meanwhile, the Company organises its employees to take a medical check-up annually to prevent occupational diseases due to daily work.

Skill Training

The Group cares for the career development of its employees on an ongoing basis, and employees are encouraged to learn and train continuously and to enhance their knowledge, skills, competence and qualification. The CCRE Academy, established in February 2009, aims to set up a comprehensive employee training system by enhancing courses, organising different types of training and arranging specific training classes regularly in order to provide support for employees in the area of career development and promotion.

During the reporting period, the core instructor team of the Company focused on forging specialty training courses in line with the strategic focus of the Group and creating synergy between online and offline interactions through our online platforms with an aim of forming a learning community where everyone teaches and learns at the same time. Training projects, such as the "Project Major Leopard Fraternity"（專案總獵豹兄弟連）and sessions for project managers, marketing managers, human resources and financial managers were organised to enable adaptation to the need for rapid multidimensional developments and business transformation. Micro-sessions and animated infographs were used to attract employees' participation and arouse their interest.

Labour Standards

Since its establishment, the Company has been upholding core principles featuring fairness and compliance, and its personnel policies, salaries and benefits and business operation are in full compliance with PRC laws and regulations as well as industry standards. The Company has formulated transparent recruitment rules in accordance with the Recruitment Management System of CCRE in an effort to provide equal employment opportunities and create a fair and harmonious working environment. Moreover, the Company formulates its welfare policy on the basis of state regulations to ensure that female employees are entitled to their legitimate rights and interests including maternal leave, breastfeeding leave and Women's Day holiday, and in combination with strict workplace code of conduct, to eliminate gender discrimination and other injustices. As to labour standards, the Company's employment policy is in full compliance with the Labour Law, the Labour Contract Law, the Enterprise Labour Union Regulations and local labour regulations in China, stipulating the code of conduct for the management in recruiting employees and entering into employment contracts and forbidding recruitment of child labour, forced labour and other illegal acts.

ENVIRONMENTAL PROTECTION

In recent years, the worsening environmental pollution problems across the world lead to growing awareness of environmental protection in all sectors. As a leading real estate enterprise in Henan Province, CCRE always takes the lead in environmental protection by advocating the concept of green architecture, actively promoting green life culture and leading all its employees to earnestly protect the ecological environment.

Waste and Emission Reduction

The waste generated in the course of the Company's daily operation mainly includes construction waste, household trash and wastewater, and the emission of such waste always abides by national standards. For the disposal of waste, the Company always, pursuant to the requirements of relevant local authorities, conducts concentrated collection of construction and household waste and takes appropriate measures for recycling or disposal according to the waste category while household wastewater will undergo a precipitation process before discharged into municipal sewage network and the underground wastewater will be used for irrigation or be discharged into the municipal rainwater pipe network.

The Company fully understands that preventing waste from the source is essential for alleviating environmental pollution in the long run. To this end, the Company vigorously advances the industrialisation of property development and residential systems in Henan by setting up exemplary construction sites in various projects concerning industrialisation of property development and residential systems. The originally complex construction procedures are streamlined, changing the production processes by switching from distributive to concentrated interior design and centralizing the procurements and construction works performed, thereby reducing material consumption, waste emission, waste air and greenhouse gas emission and noise pollution, mitigating social costs. Meanwhile, the Company has established an environmental impact assessment mechanism in accordance with state regulations to assess the environmental impacts at all construction phases, and formulated the Emergency Response Measures to minimize the negative impact of construction projects on the surrounding environment. Next year, the Company will continue to step up its emission reduction initiatives and amend the waste management policy where needed in a bid to improve the effectiveness of waste reduction.

Environmental Protection and Energy Conservation

To facilitate the development of green architecture and promote green life culture, the Company has formulated the Green Architecture Measures of CCRE in accordance with the Evaluation Standards for Green Buildings issued by the Ministry of Housing and Urban-Rural Development of PRC, and issued the Green Manifesto of CCRE in 2010. We earnestly implement green building development plans by gradually using power-saving lighting, water-saving spray irrigation, rainwater collection system, geothermal heat pump and other tools and technologies, thereby comprehensively improving the effectiveness of environmental protection and energy conservation for our property projects. During the reporting period, ten of our new projects, including Nanyang Forest Peninsula, Jiaozuo Chinoiserie House and Shangqiu Jianye Eighteen Cities, have successively passed the National Green Building Certification. As we hasten our footsteps in developing green buildings, our development strategies are also well recognised.

A Green Supply Chain

The Group participates in the "Greed Supply Chain for PRC Real Estates Industry" jointly organised by SEE Conservation and the China Urban Realty Association. Officially kickstarted on 5 June 2016, the date of the World Environmental Day, the activity had over 70 participating entities pledging to manage its supply chain in accordance with a common procurement guideline and action plan in a bid to ensure green procurement and make the entire supply chain eco-friendly from raw materials sourcing, production processes and end consumption. As environmental efficiency and resource utilisation are enhanced, the relevant companies assume responsibility towards social development and environmental protection. The Group currently joins all four of the groups, namely the control group for steel and concrete and heavy pollution emission control, the task force for compliant wood sourcing, the control group for controlling formaldehyde emission by man-made wooden planes, and the group for chrome-free aluminium passivation.

OPERATIONAL GOVERNANCE

As a bellwether in the real estate industry in Henan Province, the Company is dedicated to consolidating its long-established leadership, considers operational governance as a reform priority and focuses on improving management effectiveness and maintaining competitive advantage while actively diversifying from real estate to live up to its service commitment of "From the land of Henan, for the people of China".

Supply Chain Management

Supply chain management aims to optimize the operation of supply chains at the lowest cost, which enables the efficient operation from procurement to all the procedures that satisfying the end customers, including workflow, physical flow, cash flow and information flow, so as to accurately deliver suitable products to consumers at a reasonable price in a timely manner.

The supply chain management for property corporate represents a process of delivering residential systems to property owners by consolidating resources including all kinds of raw materials involved in property from up and downstream through labor practices and a series of operation and management.

Supplier management

Supplier management is essentially the management of partners, a good partner ensures the successful launch of property projects. The Company ensures our partners' quality from the following three aspects:

Supplier qualification

The Company selects suppliers publicly, all of them can registrate the relevant information via the tender and procurement website of the CCRE Group. We will conduct data review on suppliers based on our own needs, and organize site visits to suppliers in line with the requirements of the Group. The visit must involve three different departments who will determine their qualification by summarizing their respective final opinion, so as to ensure suppliers' quality.

Hierarchical management for Supplier

We manage suppliers hierarchically according to partners' value-added role and competitive strength in supply chain and divide them into three levels from high to low: namely A level (strategic supplier), B level (general supplier), C level (qualified supplier). In respect to key categories (such as general contracting and external facades) that affect the quality and perception of property products, we will give priority to strategic suppliers that are familiar with the Company to ensure the rapid promotion of property development. At the same time, we will dynamically adjust our cooperation with suppliers by reviewing the supplier evaluation system (conduct evaluation before, upon and after contractual performance by three stages). We grant specific privileges and rewards to A level supplier, while penalize suppliers that are under C level to ensure the consistent high quality of suppliers.

Exploration and promotion of new technology partners

Property industry is also a highly competitive industry. The product identity has a direct impact on corporate's survival. With the proposal on the concept of the fourth generation house, almost all the property enterprises are facing the innovating dilemma. Therefore, whoever finds an available innovation point will be able to seize the market with clear product identity. The Company is actively seeking and exploring partners who have achieved certain success in smart buildings and smart communities. It also established Henan Soon Network Technology Co., Ltd. (嵩雲科技公司) to promote the implementation of related new technologies and to improve product identity.

Material supply management

As the property development project has a long construction period and requires complex technology, it involves a wide range supply of raw materials and different types of materials must be supplied at different times with quality and quantity, therefore, material supply management becomes a critical part of property supply chain management. The Company secures material supply management through the following three aspects:

Operation and management of procurement plan

The Company's operation and management department prepares operation plan according to the overall development process of the project when a land was obtained. The cost-control department of the project compiled plans including materials, project approach and procurement involved in the entire development process according to the operation plan, and report the same to the bidding and procurement department of the Company. The procurement department classifies procurement for the corresponding material concentration in advance based on the plans submitted by the respective project department, in order to reduce procurement costs (for example, our cost declined by 16.6% by introducing the country's most famous and largest enterprise – Oriental Yuhong at the lowest price in terms of waterproof material and procuring paint materials through centralized bidding, etc.) and improve profit margins. Meanwhile, our partners are required to provide a clear and detailed materials and equipment production schedule, and immediate follow-up feedbacks to ensure that all kinds of materials and equipment approached on schedule and the project completed in time.

Quality control of material supplies

The quality of materials used in the construction has a direct impact on the reputation of our product, thus, the quality control of material supplies is of uppermost priority. The Company controls the quality of materials through both site acceptance and unannounced inspection on materials.

Site acceptance: all materials must be approved for acceptance by the engineering, design, supervision, cost-control, procurement departments before approaching. Each department must conduct a comprehensive acceptance and quality control on the materials in light of their respective professional properties.

Unannounced inspection: suppliers should send a specific production schedule to the bidding and procurement department for record once the on-site supply notice was received. According to the production schedule, the bidding and procurement department will conduct unannounced inspection at the factory from time to time, to ensure the materials produced are in line with the Company's requirements and national regulations. Those tempted to cut corners will suffer a severe punishment to ensure the quality of material supplies.

Post evaluation mechanism for material usage

Due to the quality issues of the materials used in construction normally arises years later, the Company has set up a post-service evaluation mechanism to ensure a continuous and effective construction quality. Customer service department will regularly feedback consumer complaints to the design, engineering, bidding and procuring department of the Group, who will analyze attentively based on the complaints and offer a solution. Meanwhile, the design or procurement optimization will also be adopted to new projects to avert recurrence of similar issues.

From the above, the Company's supply chain management provides high-quality services and reasonable prices for the development of the Group, which achieves mutually beneficial and win-win results between supply chain and property industry.

Product Responsibility

Thanks to our rigorous product safety supervision procedures, the Company's construction projects have reached the industry's highest standards in terms of safety and weight resistance. The Company has formulated its product management policy pursuant to state regulations and industry standards, providing detailed guidelines on product repair, maintenance, testing and inspection with a focus on material examination and equipment testing in order to exercise all round supervision on the production and construction process.

1. *Preparation*
   Submit project plans to government authorities for approval.

2. *Before Construction*
   Construction drawings are reviewed by a third-party expert to ensure compliance with national and industry standards.

3. *Material Examination*
   Carefully choose suppliers of building materials, and strictly examine their certification documents subject to review by a professional third party.

4. *During Construction*
   Engage an external consultant to closely monitor construction process and progress of the project.

5. *Project Acceptance*
   Arrange inspection by relevant government authorities and filing before completion.

To meet expectations and needs of our customers, the Company has a well-established customer complaint mechanism, and will arrange maintenance professionals to follow up complaint cases and collect customer opinion later on so as to make sure that the problems are completely solved. Moreover, the Company also pays great attention to customer privacy, and has amended the Customer Information Management Measures during the reporting period, requiring all employees to strictly comply with the service guidelines thereof and prohibiting any divulgence by anyone of confidential customer information. The advertisements deployed and trademarks used by the Company were in compliance with the relevant laws and regulations including the Advertisement Law and Trademark Law of the PRC.

ANTI-CORRUPTION

The Group positively instills the service spirit of being honest and trustworthy with an aim at a good corporate image of CCRE. The Group requires every new employee to sign a Work Integrity Agreement, organises educational lectures about professional ethics and holds integrity oath ceremonies for all the employees regularly. Meanwhile, an interest report mechanism is in place to encourage the employees to exercise self-restraint, cultivating a corporate culture of fairness, transparency and honesty. Meanwhile, the Group has a whistle-blowing mechanism to encourage the employees, customers and partners to report any fraud, extortion, bribery and corruption through the Company's website, hotline or email, and will designate an officer to follow up such cases. Any employee breaching integrity is severely punished and such cases are circulated internally in the Group to set an example. Internal policies and guidelines were implemented to comply with the relevant anti-corruption laws and regulations.

CONTRIBUTION TO SOCIETY

Rooted in the PRC for 25 years, the Group adhered to the principle of basing itself in the country and promoting the wellbeing of its people. With the belief that "housing changes Henan", we are committed to the enormous goal of "building quality houses for the people of Henan". Meanwhile, the Group is also rooted in the corporate philosophy of giving back to society and promoting social progress in Henan, which has been its core value for over two decades. Just as what soil is to trees, society cultivates a business such that businesses are obliged to serve and give back to society in order to survive and proceed in its life cycle. For 24 years, the Group puts this principle into practice in good faith and performs its role duly as a corporate citizen, promoting the growth of Central China to widespread social recognition.

The Company upholds its corporate mission of "building quality houses for the people of Henan" and actively follows the national urbanisation plans to advance social development in Henan Province. So far, the Company has laid its business footprints across 18 prefecture-level cities and 64 county-level cities in Henan Province with an ambition to provide Henan people with the best housing and supporting services. In addition to its traditional housing projects, the Company also strives to extend presence in the field of public facilities including education, sports and green buildings, which not only speeds up its expansion but also improves local living level for mutual success.

CHARITY

In 2016, with the promulgation of the new Charity Law, China's charity work has strode onto a brand-new stage of development, illuminating that China's charity has entered a new era where laws can be adhered to among an enlarged field of charity. Under the consensus of a new concept of large charity and after a research and discussion on specific areas with the General Charity of Henan Province, the Group decided to establish the Henan CCRE Sports Affair Development Fund specifically for the construction of sport stadiums in Henan, financing the erection of sport facilities in impoverished villages, building soccer playfields in primary and secondary schools in cities and villages, cultivating sport talents such as young footballers in Henan and promoting exchanges and development in sports in Henan, as an echo of our original intention in requiting our homeland as well as to show support for new forms of charity. In September 2016, the parties entered into a five-year donation agreement in relation to an amount of RMB750 million, pursuant to which, a donation totaling RMB200 million was made in the year of 2017.

Henan Next Generation Foundation is a charitable foundation established under the advocacy of the provincial committee and provincial government with the objective of providing care for the healthy growth of youngsters, nourishing humanism and promoting morality while relieving poverty. Since 2011, the Group has made commitment to a donation for a total of RMB10 million over the course of 10 years. In 2017, a total of RMB1 million was donated.

In 2017, the Group donated a sum of RMB201 million for charity.

GREEN BUSINESS

As disclosed in the section headed "Management Discussion and Analysis", CCRE's green house established and operated by the Company is a countryside complex concerning modern agriculture and ecological environmental protection. The number of green houses in operation has increased from one to two, the total site area of which has increased from approximately 3.33 million sq. m. at the end of 2016 to approximately 3.68 million sq. m. at the end of 2017.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has always valued the superiority, steadiness and rationality of having a sound system of corporate governance and is committed to continuously improving its corporate governance and disclosure practices. For the year ended 31 December 2017, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (the "Corporate Governance Code") in Appendix 14 to the Listing Rules with the exception of code provisions A.6.7 and E.1.2 as addressed below.

1. **Code provision A.6.7 — This code provision stipulates that independent non-executive Directors and other non-executive Directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.**

   All Directors have given the Board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.

   Ms. Wu Wallis (alias Li Hua), being a non-executive Director, and Mr. Xin Luo Lin and Mr. Muk Kin Yau, being independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 19 May 2017 (the "2017 AGM") as they were out of town for other businesses.

2. **Code provision E.1.2 — This code provision requires the Chairman to invite the chairmen of the audit, remuneration and nomination committees to attend the annual general meeting.**

   Mr. Wu Po Sum, being an executive Director and the chairman of the Board and the nomination committee of the Company, was unable to attend the 2017 AGM as he was out of town for other business.

   Mr. Xin Luo Lin, an independent non-executive Director and the chairman of the remuneration committee of the Company, was unable to attend the 2017 AGM as he was out of town for other business.

   In their absence, the other members of the Board, namely Ms. Yan Yingchun and Mr. Liu Weixing, and Mr. Cheung Shek Lun, being a member of the Board, the remuneration committee and the nomination committee, attended the 2017 AGM and answered questions raised at the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules as the code of conduct for the Directors in their dealings in the Company's securities. Having made specific enquires with each Director, the Company confirmed that the Directors had complied with the required standard as set out in the Model Code for the year ended 31 December 2017.

BOARD OF DIRECTORS

The Board, which is chaired by Mr. Wu Po Sum, consists of three executive Directors and six non-executive Directors, three of whom are independent. The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of Group and the exercising of independent opinion.

The Directors who held office during the year and up to the date of this report include:

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Mr. Liu Weixing (appointed on 24 March 2017)
Ms. Yan Yingchun

Non-executive Directors

Mr. Lucas Ignatius Loh Jen Yuh *(Vice-chairman)*
Mr. Puah Tze Shyang
Ms. Wu Wallis (alias Li Hua)

Independent Non-executive Directors

Mr. Cheung Shek Lun
Mr. Xin Luo Lin
Mr. Muk Kin Yau (resigned on 1 January 2018)
Dr. Sun Yuyang (appointed on 8 January 2018)

Ms. Wu Wallis (alias Li Hua) is the daughter of Mr. Wu Po Sum. Save as disclosed, there is no family or other material relationship among the members of the Board. The biographical details of the Directors are set out on pages 77 to 83 of this report.

All executive Directors and non-executive Directors have entered into service contracts with the Company for a specific term of three years. Under the articles of association (the "Articles of Association") of the Company, the Board is empowered to appoint any person as a Director to fill the casual vacancy on or as an additional Director.

In compliance with Rules 3.10 and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors (representing one-third of the Board), one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the three independent non-executive Directors has confirmed his independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the three independent non-executive Directors has signed a letter of appointment with the Company for a specific term of three years.

Pursuant to the Articles of Association, at least one-third or, if the number is not a multiple of three, the nearest to one third, of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting of the Company once every three years. In accordance with article 87 of the Article of Association, Mr. Wu Po Sum, Ms. Wu Wallis (alias Li Hua) and Mr. Cheung Shek Lun will retire and, being eligible, will offer themselves for re-election at the 2018 AGM. Dr. Sun Yuyang, who was appointed as an executive Director with effect from 8 January 2018 to fill a casual vacancy on the Board, is also required to retire pursuant to article 86(3) of the Articles of Association and, being eligible, will offer himself for re-election at the 2018 AGM. All other Directors will continue in office.

All Directors have given sufficient time and attention to the affairs of the Group and in particular, the independent non-executive Directors have provided the Board with their diversified expertise and professional advices. The Board is of the view that there is a balanced composition of executive, non-executive and independent non-executive Directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the Group and its Shareholders. The participation of the independent non-executive Directors in the Board and committee meetings also provides independent judgment on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct.

The Board members have access to timely information relating to the Group's business and will be provided with further documents and information upon request to enable them to make informed decisions. Independent professional advice can be sought to discharge their duties at the Group's expense upon their request. No such advice was sought during 2017.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

RESPONSIBILITY OF THE BOARD

The Board is in charge of leadership and control of the Group and is responsible for maximising the Group's financial performance and making decisions in the best interests of the Group and its Shareholders. Under the leadership of Mr. Wu Po Sum, the chairman of the Board (the "Chairman"), the Board is also responsible for formulating and overseeing the business strategies and policies of the Group, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, reviewing and monitoring the Group's financial control and risk management systems. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

BOARD MEETINGS AND GENERAL MEETING

The Board holds meetings regularly and meets at other times as and when required to review financial, internal and compliance controls, risk management, company strategy and operating performance of the Group. In addition, the Board holds general meeting to maintain an on-going dialogue with the Shareholders. For the year ended 31 December 2017, the Board held 4 regular meetings, 1 ad hoc meeting and 1 general meeting.

The number of Board meetings, committee meetings and general meeting attended by each Director from 1 January 2017 to 31 December 2017 is set out in the following table:

Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
Number of meetings held	**5**	**2**	**1**	**1**	**1**
Mr. Wu Po Sum	5/5		1/1	1/1	1/1
Ms. Yan Yingchun	5/5				1/1
Mr. Lucas Ignatius Loh Jen Yuh	5/5	2/2			1/1
Mr. Puah Tze Shyang	5/5				1/1
Ms. Wu Wallis (alias Li Hua)	4/5				0/1
Mr. Cheung Shek Lun	5/5	2/2	1/1	1/1	1/1
Mr. Xin Luo Lin	5/5	2/2	1/1	1/1	0/1
Mr. Muk Kin Yau	4/5				0/1

Sufficient notice for regular Board meetings and notice of reasonable days for ad hoc Board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and agenda and accompanying Board papers were given to all Directors in a timely manner. As agreed by the Board, the Directors may also seek independent professional advice at the Company's expense. No such advice was sought during 2017. During the intervals between Board meetings, the senior management of the Company provides the Directors with information on a timely basis regarding all major developments or changes in the Group's businesses.

Should a Director have a potential conflict of interest in a matter being considered in the Board meeting, he or she will abstain from voting in respect of the relevant resolution. Independent non-executive Directors with no conflict of interest will be present at meetings to deal with such issues.

Full Board or committee papers will be sent to all Directors at least three days before the intended date of a Board meeting or committee meeting.

Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management is also invited to join the Board or committee meetings where appropriate.

All the Directors are also entitled to have access to timely information such as monthly updates in relation to our businesses and have separate and independent access to senior management.

DIRECTORS' TRAINING

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year, the Company Secretary regularly circulated reading materials on the amendments to or updates on the relevant laws, rules and regulations to all Directors as part of their training materials in the continuous professional development plan of the Company and the Company confirmed that all Directors read the training materials.

In addition, every newly appointed Director will receive an induction on the first occasion of his or her appointment, so as to ensure that he or she has a proper understanding of the operations and business of the Company, and his or her responsibilities under laws, regulations and especially the governance policies of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of Chairman is held by Mr. Wu Po Sum, and the position of Chief Executive Officer is held by Mr. Chen Jianye. After Mr. Chen's resignation on 24 March 2017, Mr. Yuan Xujun holds the position of Chief Executive Officer. These two separate positions have clear distinction in responsibilities.

Mr. Wu Po Sum, being the Chairman, is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Group, to ensure that adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that the issues raised at the Board meetings are explained appropriately.

Mr. Chen Jianye, being the Chief Executive Officer, is responsible for the daily operations of the Group and the implementation of business policies, objectives and plans as formulated and adopted by the Board, and is accountable to the Board for the overall operation of the Group. After Mr. Chen's resignation on 24 March 2017, Mr. Yuan Xujun holds the position of Chief Executive Officer and continuously performs the above responsibilities.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports in accordance with statutory requirements and applicable accounting standards. Pursuant to Code Provision C.1.1 of the Corporate Governance Code, management would provide such explanation and information to the Board as will enable the Board to make an informal assessment of the financial and other information put before the Board for approval. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

In preparing the financial statements for the year ended 31 December 2017, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

The Group has announced its annual and interim results in a timely manner within the limits of three months and two months respectively after the end of the relevant financial periods, as laid down in the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group clearly defines the authorisations and responsibilities of the Board, the Audit Committee, the management, the internal audit function and other units to ensure the establishment, implementation and effective assessment of risk management and internal control systems. The Board has the responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and to ensure the Group establish and maintain appropriate and effective risk management and internal control systems on an ongoing basis. The Board also monitors the management regarding the design, implementation and supervision of the risk management and internal control systems. The Group's risk management and internal control systems aim to manage, but not eliminate, risks of failing to achieve business objectives, and make reasonable, but not absolute, guarantee that there is no material misstatement or loss only.

A Three Lines of Defence system for risk management and internal control has been put in place, namely frontline defence in business operation, functional centralised defence in internal control and regulatory departments, and the independent oversight defence in the internal audit department. In order to enhance our risk management and internal control, each department is accountable for its daily operations, and is required to conduct regular self-evaluation on internal control and establish internal control team. The internal control team is responsible to regularly carry out spot check and improvement on the internal control guidelines, issue report on the internal control as well as work out remedies for loopholes and inadequacies identified during internal control and independent audit, which are assessed, inspected and followed up by the internal audit department of the Group regularly in order to ensure the relevant remedial actions are performed on a timely basis. Review findings have been reported to the Audit Committee for further follow-up actions.

Key risks, control measures and management actions are continually identified, reviewed and monitored by the management as part of risk management systems. The management has established a risk identification and management process. The risk assessment report is reported to the Audit Committee and the Board on a regular basis to highlight changes in the risk assessment, quantitative and qualitative factors affecting the inherent risks and effectiveness of mitigating measures on other risks. The risk management systems of the Group are continually being monitored and refined by the Audit Committee and the Board. The Board has received assurance from the CEO and the management of the Group regarding the effectiveness of the risk management systems of the Group.

The Board performs the duty of reviewing the interim and annual results with the Audit Committee, the management of the Group, the internal audit function and external independent auditors in accordance with the procedures, and conducts a review and assessment on the effectiveness of the Group's risk management and internal control systems and procedures at least annually. The Board and the Audit Committee act pursuant to any opinion from the internal audit function and external auditors. They also reviewed the resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and their training programmes and budget and were satisfied with their adequacy. The Board believes that the existing risk management and internal control systems are adequate and effective for the year ended 31 December 2017.

The Group positively instills the service spirit of honesty and integrity, with an aim of maintaining a good corporate image of CCRE. The Group formally became a member of China Enterprise Anti-Fraud Alliance (CEAFA) in August 2017, and will strive to develop a business environment of transparence and honesty together with CEAFA. The Group requires every new employee to sign a Work Integrity Agreement and make undertaking of integrity, organises educational lectures on professional ethics and holds integrity oath ceremonies for all the employees, and also enhances the self-restraint system of employees, cultivating a corporate culture of fairness, transparency and honesty. Meanwhile, the Group has a whistle-blowing mechanism to encourage the employees, customers and partners to report any illegal acts through the exercise of official duties via the Company's website, hotline or email, and will designate an officer to follow up such cases. Any employee acting illegally is severely punished and such cases are circulated internally within the Group as warnings.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely the Audit Committee, the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") to oversee the relevant aspects of the Company's affairs. The three Board committees are provided with sufficient resources to discharge their duties.

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules, the Audit Committee was established on 14 May 2008. The Audit Committee comprises three members, namely Mr. Cheung Shek Lun (the chairman of the Audit Committee), Mr. Xin Luo Lin, Mr. Lucas Ignatius Loh Jen Yuh during the year ended 31 December 2017. None of them is a member of the former or existing auditors of the Company. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge their duties. However, the Audit Committee is authorised to obtain external legal or other independent professional advice if it considers necessary.

The Audit Committee has written terms of reference in accordance with the Code. The principal functions of the Audit Committee include:

- To make recommendations to the Board on the appointment, reappointment and removal of external independent auditors and to approve the remuneration and terms of such appointments;
- To review and monitor the independence and objectivity of the external independent auditors and effectiveness of the audit process in accordance with applicable standards;
- To review the Company's financial controls, risk management and internal control systems and other major financial matters;
- To review the Group's financial and accounting policies and practices, and to monitor the Company's financial operation and core business status;
- To ensure that the management has fulfilled its duties and the Group's strategic objectives to maintain an effective risk management and internal control systems;
- To ensure compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board from time to time; and
- To review and monitor the integrity of the financial statements, annual and interim reports and the auditor's report to ensure that the information presents a true and balanced assessment of the Group's financial position.

The Audit Committee held two meetings during 2017 and conducted the following activities:

(i) reviewed the Group's financial results for the year ended 31 December 2016 and interim results for the six months ended 30 June 2017;

(ii) reviewed the audit plans and findings of the external auditor;

(iii) reviewed the internal control and financial matters pursuant to its terms of reference; and

(iv) made recommendation to the Board on the re-appointment of the external auditor and their remuneration.

Under the amendments to the Corporate Governance Code, the section of "Oversee of Risk Management Functions" was adopted into the audit committee's terms of reference and approved by the Board on 31 March 2016. The Audit Committee has reviewed the risk management and internal control systems of the Group as well as considered and identified risks of the Group subsequent to 31 December 2017 and will continuously monitor the systems on a regular basis.

The Audit Committee also met with the external auditor annually in the absence of management to discuss matters relating to any Issues arising from audit and any other matters the external auditor may wish to raise.

For the year ended 31 December 2017, the external independent auditors' remuneration to the Group's auditor in respect of annual audit and Interim review services provided to the Group amounted to approximately RMB4.08 million and RMB0.9 million. The remuneration to the local statutory auditors is set out in notes 6(c) to the financial statements. During the year, service fee to external independent auditor for the issue of the US$200 Million Senior Notes (as defined below) amounted to approximately RMB350,000.

The Company's annual results announcement dated 12 March 2018 for the year ended 31 December 2017 has been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The Nomination Committee was established on 29 March 2012 with written terms of reference as suggested under the code provision in the Corporate Governance Code. The Nomination Committee comprises three members, namely Mr. Wu Po Sum (the chairman of the Nomination Committee), Mr. Cheung Shek Lun and Mr. Xin Luo Lin, a majority of whom are independent non-executive Directors.

The primary duties of the Nomination Committee include: (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and to make recommendations to the Board regarding any proposed changes to the Board for conforming to the strategy of the Company; (ii) identifying and nominating qualified individuals to act as Directors and to make recommendations to the Board regarding such matters; (iii) assessing the independence of the independent non-executive Directors; (iv) making recommendations to the Board regarding the appointment or re-appointment of Directors and succession planning for the Directors, in particular the Chairman and the Chief Executive Officer; and (v) reviewing the Board Diversity Policy (as defined below), and the implementation of the progress targets set by such policy.

The chairman of the Nomination Committee shall attend the annual general meeting of the Company to answer the questions raised by the Shareholders on Director's nomination and other nomination policy matters.

The Nomination Committee held one meeting during 2017 and conducted the following activities:

(i) reviewed the nomination policy of the Directors;

(ii) reviewed the reappointment of Directors at the 2017 AGM;

(iii) assessed the independence of independent non-executive Directors; and

(iv) reviewed the revised terms of reference of the Nomination Committee.

The Company has adopted the Board Diversity Policy with effect on August 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

On recommendation from the Nomination Committee, the Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 14 May 2008 with written terms of reference as suggested under the code provision in the Corporate Governance Code. The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. Xin Luo Lin (the chairman of the Remuneration Committee) and Mr. Cheung Shek Lun, and the Chairman and an executive Director, Mr. Wu Po Sum, during the year ended 31 December 2017.

The primary duties of the Remuneration Committee include (but not limited to) (i) making recommendations to the Board on the Company's policies and structures for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the terms of the specific remuneration package of individual executive Directors and senior management; and (iii) reviewing and approving remuneration proposal by reference to corporate goals and objectives resolved by the Directors from time to time.

The amount of the executive Directors' remuneration is determined by the Remuneration Committee on the basis of the relevant executive Directors' experience, responsibility, workload and the time devoted to the Group. The entire Directors' remuneration is reviewed by the Remuneration Committee from time to time.

The Remuneration Committee may also consult the Chairman on proposals relating to the remuneration of other executive Directors and has access to professional advice if necessary.

The Remuneration Committee held one meeting during 2017 and conducted the following activities:

(i) reviewed the remuneration policy of the Group and Directors' remunerations; and

(ii) reviewed and approved the remuneration package of individual executive Directors and senior management.

To comply with the Listing Rules, Mr. Xin Luo Lin, an independent non-executive Director, was appointed as the chairman of the Remuneration Committee.

COMPANY SECRETARY

In compliance with Rule 3.28 of the Listing Rules, the Company Secretary is a full time employee and has the day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on corporate governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting and to Put Forward Proposals Thereat

The following procedures for the Shareholders to convene an extraordinary general meeting are prepared in accordance with Article 58 of the Articles of Association:

(1) One or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

(2) The requisition must state the objects of the meeting, and must be signed by the Shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

(3) The requisition shall be made in writing to the Board or the Company Secretary via mail to the Company's principal place of business in Hong Kong at Room 7701B–7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

(4) The extraordinary general meeting shall be held within two months after the deposit of the requisition.

(5) If the Directors fail to proceed to convene the extraordinary general meeting within twenty-one (21) days of the deposit of such requisition, the Shareholder(s) himself or themselves may do so in the same manner, and all reasonable expenses incurred by him/her/them as a result of the failure of the Board shall be reimbursed to the shareholder(s) by the Company.

Proposals for Proposing a Person for Election as a Director

Subject to applicable laws and regulations, including the Companies Law of the Cayman Islands, the Listing Rules and the Articles of Association as amended from time to time, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director.

A Shareholder may propose a person (the "Person") for election as a Director by lodging the following documents at the Company's place of business in Hong Kong at Room 7701B-7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong:

(1) a notice in writing signed by the Shareholder concerned of his/her/its intention to propose the Person as a Director with full particulars of the Person including his/her full name and biographical details as required under Rule 13.51(2) of the Listing Rules; and

(2) a notice in writing signed by the Person of his/her willingness to be elected as a Director.

Such notices shall be lodged at least seven (7) days prior to the date of the general meeting and the period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven (7) days in length.

Procedures for Raising Enquiries

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy:

(1) Shareholders may direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited.

(2) Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary or the Chief Financial Officer whose contact details are as follows:

Central China Real Estate Limited
Room 7701B–7702A,
77th Floor, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong
Telephone: (852) 2620 5233
Fax: (852) 2620 5221
Email: general@centralchina.com

(3) Shareholders may also make enquiries with the Board at the general meetings of the Company.

MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

The Company's Memorandum of Association and Articles of Association is available on both the websites of the Company and the Stock Exchange. There had been no changes in the constitutional documents of the Company during the year ended 31 December 2017.

CORPORATE COMMUNICATION AND INVESTOR RELATIONS

The major task and objective of the Group's investor relations is to clearly introduce the Group, including the business positioning, existing operations and future development of the Group, to the media, Shareholders, investors, analysts and investment banks through different communication channels. In future, the Group shall further enhance communication with the media, Shareholders, investors, analysts and investment banks on various aspects such as development strategies, operation and management, financial prospects and business operation through meetings, senior management's participation in investor forums, conferences and roadshows. The Group is confident in establishing and maintaining a good relationship with the international capital institutions through the continued enhancement of information transparency.

The Group emphasises the importance of maintaining good communication with the Shareholders, so as to increase the Company's transparency and understanding by the Shareholders. To enable that the Shareholders are effectively informed of the Group's status and developments, the Group issues announcements, circulars, notices, interim and annual reports in a timely manner. To enhance the Company's transparency, other information about the Company is published on the Company's website.

The Company's annual general meetings allow the Directors to meet and communicate with the Shareholders and to answer any queries that the Shareholders may have. An external independent auditor is also present at the annual general meetings. The Chairman will propose separate resolutions for each issue to be considered at the annual general meetings. A notice of annual general meeting is delivered to all Shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution and other information. Voting results are posted on the websites of the Company and of the Stock Exchange.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Wu Po Sum (formerly known as Hua Jianming), aged 67, is an executive Director, the Chairman of the Board and the founder of the Group. He is also a director of a number of subsidiaries of the Company. Mr. Wu is responsible for the formulation of development strategies, making decisions on investment projects and development directions of the Group. He graduated from Zhengzhou University majoring in English in 1979 and completed the CEO Program for China in China Europe International Business School on 27 March 2005. Mr. Wu is the father of Ms. Wu Wallis (alias Li Hua), a non-executive Director.

Mr. Wu has over 25 years of experience in real estate development and investment. He started his career with China Textile Import and Export Corporation Henan Branch in 1979. From 1982 to 1985, Mr. Wu was sent by the Department of Foreign Trade of Henan Province to work in Hong Kong. From 1985 to 1986, he was the assistant general manager of Central China International Economic Trade Company Limited ("CCIET"). From 1986 to 1988, Mr. Wu worked as the president and the general manager in Guoguang Industrial Company Limited, a subsidiary of CCIET. From 1988 to 1991, Mr. Wu served as the assistant general manager and the general manager in Central China International (Group) Limited and Central China Overseas Development Company Limited, respectively. He then entered the PRC real estate market in May 1992, when he laid the foundation for the Group and established the "Jianye" ("建業") brand name.

As the founder of the Group, Mr. Wu Po Sum actively participated in social public welfare undertakings while operating and managing corporate business. In the year of 2017, he donated RMB13.5 million personally.

In 2011, based on his recognition of the traditional Chinese cultural value of "enlightening the world with studies of humanism", he personally initiated the establishment of Benyuan Humanity Education Foundation（本源人文教育基金會）in Henan to promote the humanities education of China. In addition to financing an amount of RMB23 million for building the Children's Library of Henan Province in 2013, the Foundation has also donated Benyuan Community College, Benyuan Village Library and Benyuan Youngster Cultivation in the daily operations as its core public welfare projects, aiming to popularizing and promoting liberal education in urban communities, rural areas and universities. The aforementioned projects have gained wide social recognition and reputation and become a model for the construction of modern academies, which has aroused widespread concern among public welfare, traditional culture and education circles. In late 2016, in order to give back to his Alma Mater and boost the development of higher education in Henan Province, Mr. Wu Po Sum offered a ten-year donation totaling RMB100 million to the Education Development Foundation of Zhengzhou University. As of the end of 2017, Mr. Wu Po Sum personally donated a total of RMB24 million to the Foundation.

In 2017, Chairman Mr. Wu Po Sum was invited to the selection of Golden Sunlight Public Welfare Awards of Henan Daily and was awarded the " Meritorious Person of the First (2017) Central China Social Responsibility" prize. Besides, the Benyuan Humanity Education Foundation in Henan sponsored by him was awarded the "Outstanding Nonprofit Organization of First (2017) Central China Social Responsibility".

Mr. Wu is currently a director of CURA Investment Management (Shanghai) Co., Ltd, a company listed on National Equities Exchange and Quotations Co., Ltd. (also known as the "PRC New Third Board").

Mr. Wu has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Directors' report in this annual report.

Liu Weixing, aged 58, was appointed as an executive Director with effect from 24 March 2017. Mr. Liu joined the Company in August 2016 as vice president of the Company and the chairman of Central China Real Estate Group (China) Company Limited, a wholly owned subsidiary of the Company.

Mr. Liu has over 36 years of experience in banking and finance. He obtained a certificate of graduation in banking management from Henan Banking College*（河南銀行學校）in 1979, a certificate of graduation in financial management from Zhengzhou University in 1983, a master degree in economics from Henan University in 1998 and a certificate of graduation in law from Tsinghua University in 2005. Mr. Liu held positions of officer and vice division chief responsible for industrial and commercial credit facilities Luoyang Region Center Branch of People's Bank of China from 1979 to 1984. Mr. Liu held several positions in Industrial and Commercial Bank of China from 1985 to August 2016, including vice president of Luoyang Region Center Branch, vice president of Sanmenxia City Branch, officer of Henan Province Branch, assistant to president of Henan Province Branch, vice president of Henan Province Branch, president of Anhui Province Branch, president of Chongqing City Branch, president of Henan Province Branch and head of Internal Audit Department of Main Branch.

Mr. Liu has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Directors' report in this annual report.

Yan Yingchun, aged 58, is an executive Director. She is also a director of a number of subsidiaries of the Company. Ms. Yan is responsible for the day-to-day operation of the Board and internal audit of the Group. She obtained a Diploma of Accounting from Zhongnan Financial and Economic University in 1986 and qualified as a senior accountant in the PRC in 2000. Ms. Yan has over 25 years of experience in financial management. Before joining the Group in February 1992, she worked in the Financial Section of Zhengzhou Hardware and Electric Appliance Company Limited as the deputy manager from 1985 to 1988. From 1988 to 1991, Ms. Yan served as the deputy general manager of the Finance Department of Central China Overseas Development Company Limited. She has served in the posts of finance manager, human resources manager, assistant to general manager, accountant in chief, vice-president and chief financial officer of Central China Real Estate Group (China) Company Limited since joining the Group.

Ms. Yan has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Director's report in this annual report.

NON-EXECUTIVE DIRECTORS

Lucas Ignatius Loh Jen Yuh, aged 51, is a non-executive Director and the vice-chairman of the Board. He is also a director of a number of subsidiaries of the Company.

Mr. Loh is the Chief Executive Officer ("CEO") of CapitaLand China Holdings Pte Ltd ("CapitaLand China"). CapitaLand China is a wholly-owned subsidiary of CapitaLand Limited ("CapitaLand", together with its subsidiaries, "CapitaLand Group", one of Asia's largest listed real estate companies, headquartered and listed in Singapore). CapitaLand China is a long-term real estate developer of high quality homes, commercial properties and integrated developments in China. CapitaLand China is the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd., a substantial shareholder of the Company.

Mr. Loh joined CapitaLand Group in September 2001 and has been based in China since August 2004. Prior to his appointment as CEO, he was the Deputy CEO cum Chief Investment Officer as well as Regional General Manager for South China of CapitaLand China. He has also held several appointments within CapitaLand Group, including Managing Director for China of The Ascott Limited ("Ascott").

During his term with Ascott from August 2004 to July 2007, Mr. Loh successfully led Ascott to win top spot in China's prestigious 'Top 100 Serviced Residences' Ranking' for two consecutive years and grew its business from 8 to 22 properties across 10 cities in China. In 2007, he joined CapitaLand China and was instrumental in transforming its business in the South China region. He was also responsible for CapitaLand China's real estate financial business, including the Raffles City China Fund and CapitaLand China Development Fund with a combined fund size of US$2.3 billion. Mr. Loh started his career in real estate in 1991. Prior to joining CapitaLand Group, Mr. Loh was the Associate Director for Private Equity Investment at Temasek Holdings (Private) Limited, leading its private equity investment business in the Asia Pacific region.

Mr. Loh holds a Bachelor of Science (Second Class Upper Honours) degree in Estate Management from the National University of Singapore. He also holds a Master of Business Administration degree from Oklahoma City University and attended the Advanced Management Program at Harvard Business School in 2013.

Mr. Loh is currently a non-executive director of Lai Fung Holdings Limited, a company listed on the Stock Exchange.

Mr. Loh has interests in the shares and debentures of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Directors' report in this annual report.

Profile of Directors and Senior Management (Continued)

Puah Tze Shyang, aged 45, is a non-executive Director. He is also a director of a number of subsidiaries of the Company.

Mr. Puah is the Chief Investment Officer and the Regional General Manager, Southwest China ("RGM Southwest China") of CapitaLand China. As CapitaLand China's Chief Investment Officer, Mr. Puah is responsible for CapitaLand China's real estate financial business, asset management and investment platforms. The investment platforms include the Raffles City China Fund, CapitaLand China Development Funds, CapitaLand Township Funds and Raffles City China Investment Partners III, with combined capital commitments of US$3.7 billion. Concurrently, as RGM Southwest China, Mr. Puah oversees a combined portfolio of residential projects and integrated development in Western China. Mr. Puah is an alternate council member for the Singapore-Sichuan Trade and Investment Council (SSTIC). He is previously served as alternate council member for the Singapore-Liaoning Economic and Trade Council (SLETC).

Mr. Puah joined Surbana Corporation Pte Ltd ("Surbana Corporation") in July 2003. Surbana Corporation became known as CapitaLand Township Holdings Pte. Ltd. ("CapitaLand Township") after CapitaLand acquired a 40% stake in it in July 2011, and CapitaLand subsequently raised its stake in CapitaLand Township to 100% in March 2015. From 2010 to March 2015, Mr. Puah was the Chief Executive Officer of CapitaLand Township Pte. Ltd. (formerly known as Surbana International Investment Pte. Ltd. from October 2006 to May 2007, and Surbana Land Pte. Ltd. from May 2007 to April 2013), a subsidiary of CapitaLand Township. On a regional basis, he has led the team to gross over RMB22 billion of residential sales, with La Botanica Township becoming the best-selling project in terms of residential unit sales in Xi'an from 2014 to 2016; Botanica Township was one of the top 10 best-selling projects in Chengdu in 2010. Under his stewardship, CapitaLand was also placed sixth in total residential sales for Chengdu city in 2016. Mr. Puah started his career in real estate in 1997. Prior to joining Surbana Corporation, Mr. Puah was an Executive Engineer in the Housing and Development Board of Singapore ("HDB"), and he later helmed HDBuilders.com, a construction portal offering e-collaboration and e-procurement services for the real estate industry in Singapore. He was the industry pioneer for e-bidding for construction materials, having managed over S$350 million in online auctions during his time at HDBuilders from 2000 to 2003.

Mr. Puah received an overseas undergraduate scholarship from HDB and obtained his Masters of Engineering (First Class Honours) degree in Electrical and Electronic Engineering from Imperial College of Science, Technology and Medicine in 1997. He was later awarded a Post-graduate scholarship from Surbana Corporation and obtained his Executive Masters of Business Administration (Honours) degree from Chicago Booth School of Business in 2010.

Wu Wallis, alias Li Hua, aged 36, is a non-executive Director. She is also a director of a number of subsidiaries of the Company. Ms. Wu obtained a Bachelor of Architecture Degree from the University of New South Wales in Australia in 2006, and a Master of Applied Finance degree from Macquarie University in 2007. Before joining the Group in 2006, she worked in Woodhead International (Beijing) and Banatex Architects Pty Ltd in Sydney Australia in 2005. Ms. Wu is the daughter of Mr. Wu Po Sum, an executive Director and the Chairman of the Board.

Ms. Wu has interests in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" under Directors' report in this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Shek Lun, aged 57, is an independent non-executive Director. He obtained a Bachelor Degree in Business Administration from the Chinese University of Hong Kong in 1986, a Bachelor Degree in Business from the University College of Southern Queensland in 1990, and a Bachelor Degree in Law from the University of Wolverhampton in 2002. Mr. Cheung worked as an assistant assessor in the Inland Revenue Department of the Hong Kong government from November 1986 to January 1989, an accountant in Hong Kong Telephone Company Limited from July 1989 to April 1990, an accounting manager, group senior vice president — accounting and other positions of Fortune (Shanghai) Limited from May 1990 to September 2006, and a senior executive of T.C.C. International Limited from October 2006 to October 2007. He was the vice-chairman of InsiteAsset Management Group Ltd. from September 2008 to December 2017 and has been the chairman since December 2017. He is currently a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants, a member of the Chartered Institute of Management Accountants, a member of the Institute of Chartered Secretaries and Administrators in the UK and a member of The Hong Kong Institute of Chartered Secretaries.

Xin Luo Lin, aged 68, is an independent non-executive Director. He was a postgraduate from the Beijing University in the PRC. Mr. Xin was a visiting scholar at the Waseda University, Japan between 1980 and 1983, an honorary research associate at the University of British Columbia, Canada during 1983 and 1984 and a visiting fellow at the Australia National University, Australia in 1985. He is an independent investor with over 24 years of experience in investment banking in the PRC, Hong Kong and Australia. Mr. Xin was a Senior Advisor to Potter Warburg, Australia from 1985 to 1989 and to Citic-Hambros, Australia, from 1995 to 1997, respectively. He is a Justice of Peace in New South Wales of Australia. Mr. Xin was a non-executive director of Sino-Tech International Holdings Limited from August 2010 to June 2012, an independent non-executive director of China Environmental Technology Holdings Limited from August 2012 to May 2015 and a non-executive director of China Trends Holdings Limited from August 2015 to May 2016, the shares of those companies are listed on the Stock Exchange. Mr. Xin was an independent non-executive director of Enerchina Holdings Limited, the shares of which is listed on the Stock Exchange from June 2002 to May 2015 and was a non-executive director from May 2015 to June 2016. He is currently a non-executive director of Asian Capital Holdings Limited, an independent non-executive director of Beijing Sports And Entertainment Industry Group Limited (formerly known as ASR Logistics Holdings Limited) and Sinolink Worldwide Holdings Limited, the shares of those companies are listed on the Stock Exchange. Mr. Xin also serves as a director of Asian Growth Capital Co Ltd. (formerly known as Mori Denki Mfg. Co., Ltd.), a company listed on the Tokyo Stock Exchange and a director and vice chairman of Oriental Technologies Investment Limited, a company listed on the Australian Stock Exchange.

Muk Kin Yau (resigned on 1 January 2018), aged 55, is an independent non-executive Director. He obtained a Bachelor of Science Degree (Civil Engineering) from Leeds University in 1983, a Master of Science Degree (Civil Engineering) from Massachusetts Institute of Technology in 1985 and a Master of Business Administration Degree from National University of Singapore in 1992. Mr. Muk worked as an engineer in Mass Rapid Transit Corporation, Singapore from December 1984 to October 1989, a manager in Construction Industry Development Board (now Building Construction Authority) of Singapore from November 1989 to March 1992, a manager in Strait Steamship Land (now Keppel Land) from March 1992 to April 1994 and the Managing Director in GIC Real Estate Pte Ltd from April 1994 to July 2009.

Sun Yuyang, aged 61, was appointed as an independent non-executive Director with effect from 8 January 2018. He obtained a master degree in law from Wuhan University in 1996 and a doctorate degree in economics from Southwestern University of Finance and Economics in 2001. He has extensive experience in securities market and venture investment management. Mr. Sun has been the division head of the Guizhou Economic Reform Commission, the deputy head of the Policy Inspection Bureau of the Policy Research Office under the Communist Party in Shenzhen, the deputy general manager of Shenzhen Securities Clearing Company and the first chief executive officer of The Shenzhen Stock Exchange. Mr. Sun also served as the assistant general manager of Shum Yip Holdings Company Limited, the deputy general manager of Shum Yip Investment Limited, the chairman and chief executive officer of China High-tech Investment Management Co., Ltd（中國高新技術產業投資管理有限公司）, the president of Penghua Fund Management Co., Ltd as well as the vice president and consultant of Guoxin Securities Co., Ltd. Mr. Sun is one of the first batch of managers engaged in venture investment in China with a wealth of investment management experience and risk control ability.

SENIOR MANAGEMENT

Chen Jianye (resigned on 24 March 2017), aged 61, is the Chief Executive Officer of the Company prior to his resignation. The appointment has no specified term. He was the chief operating officer of the company since 27 December 2011. He joined the Group in 2007 and held a number of positions in the Group including the director, executive vice president and general manager, and president of Investment Development Centre of the Group. He obtained a Bachelor degree in Engineering from Heilongjiang College of Commerce*（黑龍江商學院）in 1982 and a Master degree in Business Administration from China People's University*（中國人民大學）in June 1998. Mr. Chen was a deputy manager of the office and the head of the science and technology department of Henan Oil Company*（河南省石油公司）from 1982 to 1987, a deputy director of the enterprise management department and a project assessment director of China Construction Bank Corporation, Henan Branch（中國建設銀行股份有限公司河南省分行）, and a general manager of China Construction Bank Corporation, Anyang Branch（中國建設銀行股份有限公司安陽分行）from 1988 to 2002, and a general manager of Henan High-tech Venture Investment Holdings Limited*（河南高科技創業投資股份有限公司）from 2003 to 2006.

Yuan Xujun, aged 50, has been appointed as chief executive officer of the Company with effect from 24 March 2017. Mr. Yuan has over 21 years of experience in finance and management. He obtained a certificate of graduation in finance from Shanghai Motor Technical College in 1986 and a master degree in business administration from Macau University of Science and Technology in 2001. Mr. Yuan held several positions in China Vanke Co., Ltd. ("Vanke") from 1994 to January 2017 with his last position as general manager and legal representative of the companies under Vanke. He joined the Company in February 2017 as the president of Central China Real Estate Group (China) Company Limited, and the chairman of Henan Zhongyuan Central China City Development Limited*（河南中原建業城市發展有限公司）, a wholly owned subsidiary of the Company.

Hu Bing (resigned on 24 March 2017), aged 41, is the Chief Financial Officer of the Company before resignation. Mr. Hu is a Certified Public Valuer and obtained the Master degree in Business Administration from Guanghua School of Management of Peking University in 2004. He has joined the Group since 2004. After joining the Group, he had held a number of positions including assistant to the general manager, deputy general manager, general manager, deputy director (project management) of Financial Management Center, director of Financial Management Center and general manager of (Budget Planning Department), vice president of the Group and general manager of Financial Management Center (responsible for finance and cost center), and vice president of the Group and general manager of Financial Management Center. Prior to joining the Group, Mr. Hu was a project manager in Shenzhen Sinocoms Appraisal Company Limited from 1997 to 2001 and worked in Beijing Zhongdingxing Financial Consulting Limited from 2001 to 2002.

Hu Ping, aged 36, has been appointed as chief financial officer of the Company with effect from 24 March 2017. Mr. Hu, has over 11 years of experience in management and finance. He graduated from Qingdao Technological University with a major in accounting in 2002 and obtained a master of accounting from Jiangxi University of Finance and Economics in 2006. Mr. Hu held several positions in Vanke from 2006 to February 2017 with his last positions as manager of the companies under Vanke.

Directors' Report

The Board presents the annual report together with the audited financial statements of the Group for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and its subsidiaries are principally engaged in property development in the People's Republic of China.

BUSINESS REVIEW

Discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Management Discussion and Analysis" set out on pages from 16 to 51 of this annual report. Key performance indicators are set out on page 15 of this annual report. In addition, discussions on the Group's environmental policies and relationships with its key stakeholders are set out in the "Environmental, Social and Governance Report" on pages from 55 to 62 of this annual report. These contents form part of this "Directors' Report".

SEGMENT INFORMATION

Management considers there to be only one operating segment under the requirements of HKFRS 8.

FINANCIAL STATEMENTS

The Group's profit for the year ended 31 December 2017 and the state of the Company's and the Group's affairs as at the date are set out in the financial statements on pages 103 to 106 of this annual report.

RESULTS AND DIVIDENDS

Profits attributable to shareholders, before dividends, of RMB811,365,000 (2016: RMB402,973,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

The Board resolved not to recommend an interim dividend for the six months ended 30 June 2017 (2016: Nil). The Directors resolved to recommend a final dividend of HK12.29 cents per share (2016: Nil) for the year ended 31 December 2017.

CLOSURE OF THE REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Monday, 16 April 2018 to Thursday, 19 April 2018 (both days inclusive), during which period no transfer of shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 13 April 2018, for registration.

FIVE YEAR FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on pages 221 and 222 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year under review are set out in notes 12 and 13 respectively to the financial statements.

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of approximately RMB243 million which has been charged directly to the Consolidated Income Statement.

ISSUANCE OF SENIOR NOTES

On 18 July 2017, the Company issued senior notes due 2018 with principal amount of US$200,000,000 at a coupon rate of 6.00% per annum (the "US$200m Senior Notes") for the purposes of refinancing indebtedness of the Company and for general corporate purposes. Further details relating to the issue of the US$200m Senior Notes are disclosed in the announcements of the Company dated 11 and 12 July 2017. The issuance was completed on 26 July 2017 and the US$200m Senior Notes started bearing interest on that date.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 33(a) to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2017 are set out in note 33 to the financial statements and in the Consolidated Statement of Changes in Equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, purchases from the Group's five largest suppliers (excluding purchases of land) accounted for less than 55% of the Group's total purchases and purchases from the largest supplier (excluding purchases of land) amounted to approximately 16% of the Group's total purchases. Sales to the Group's five largest customers accounted for less than 30% of the Group's total turnover and sales to the largest customer amounted to approximately 1% of the Group's total turnover.

Save as disclosed in the consolidated financial statements, to the best knowledge of the Directors, none of the Directors or chief executive of the Company or any Shareholder owning more than 5% of the Company's share capital or their respective associates, had any interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors in office during the year ended 31 December 2017 and up to the date of this report are as follows:

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Mr. Liu Weixing (appointed on 24 March 2017)
Ms. Yan Yingchun

Non-Executive Directors

Mr. Lucas Ignatius Loh Jen Yuh *(Vice Chairman)*
Mr. Puah Tze Shyang
Ms. Wu Wallis (alias Li Hua)

Independent Non-Executive Directors

Mr. Cheung Shek Lun
Mr. Xin Luo Lin
Mr. Muk Kin Yau (resigned on 1 January 2018)
Dr. Sun Yuyang (appointed on 8 January 2018)

In accordance with Article 87 of the Articles of Association of the Company, Mr. Wu Po Sum, Ms. Wu Wallis (alias Li Hua) and Mr. Cheung Shek Lun will retire from office by rotation at the 2018 AGM and, being eligible, offer themselves for re-election. Dr. Sun Yuyang, who was appointed as an independent non-executive Director with effect from 8 January 2018 to fill a casual vacancy on the Board, is also required to retire pursuant to article 86(3) of the Articles of Association and being eligible, will offer himself for re-election at the 2018 AGM.

The Company has received, from each of the independent non-executive Directors, an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such information, the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 77 to 83 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wu Po Sum and Ms. Yan Yingchun has entered into a service contract with the Company pursuant to which he/she agreed to act as executive Director for a term of three years with effect from 6 June 2017. Mr. Liu Weixing has entered into a service contract with the Company pursuant to which he agreed to act as an executive Director for a term of three years with effect from 24 March 2017.

Ms. Wu Wallis (alias Li Hua) has signed a letter of appointment dated 6 June 2017 with the company pursuant to which he/she agreed to act as non-executive Director for a term of three years with effect from 6 June 2017. Mr. Lucas Ignatius Loh Jen Yuh has signed a letter of appointment dated 1 October 2017 with the Company pursuant to which he agreed to act as non-executive Director for a term of three years with effect from 1 October 2017. Mr. Puah Tze Shyang has signed a letter of appointment dated 1 April 2015 with the Company pursuant to which he agreed to act as non-executive Director for a term of three years with effect from 1 April 2015.

Mr. Cheung Shek Lun has signed a letter of appointment dated 6 June 2017 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 6 June 2017. Mr. Xin Luo Lin has signed a letter of appointment dated 1 March 2016 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 1 March 2016. Dr. Sun Yuyang has signed a letter of appointment dated 8 January 2018 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 8 January 2018.

Save as disclosed above, no Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

Save for the relevant transactions as disclosed in note 37 to the financial statements, none of the Directors had a significant beneficial interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2017, nor any transaction, arrangement or contract of significance has been entered into during the year ended 31 December 2017 between the Company or any of its subsidiaries and the controlling Shareholders or any of its subsidiaries.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

All Directors are entitled to a fee as approved by the Board with reference to the prevailing market conditions. Executive Directors are entitled to fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of our Directors) or discretionary bonuses, which are determined by the Board having regard to the Group's performance and the prevailing market conditions and approved by the remuneration committee of the Company. Details of Directors' emoluments and emoluments of five highest paid individuals of the Company are set out in notes 8 and 9 to the financial statements.

For each of years 2016 and 2017, senior management of the Company comprises 5 individuals. The emoluments of senior management fell within the following bands:

Emolument band	**Number of individuals**	
	2017	2016
RMB500,001 to RMB1,000,000	**–**	1
RMB1,500,001 to RMB2,000,000	**–**	1
RMB2,000,001 to RMB2,500,000	**–**	1
RMB2,500,001 to RMB3,000,000	**–**	1
RMB3,000,001 to RMB3,500,000	**1**	–
RMB3,500,001 to RMB4,000,000	**–**	1
RMB4,500,001 to RMB5,000,000	**1**	–
RMB5,000,001 to RMB5,500,000	**2**	–
RMB6,500,001 to RMB7,000,000	**1**	–

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2017, the interests and short positions of the Directors and chief executives in the shares (the "Shares"), underlying shares and debentures (the "Debentures") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows or as disclosed under the section headed "Share Option Schemes" below:

(a) Long positions in the Shares:

Name of Director or chief executive	Capacity and nature of interest	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital[3]
Mr. Wu Po Sum	Interest in a controlled corporation	1,146,315,639[1]	46.80%
	Beneficial owner	2,050,400[2]	0.08%
Ms. Yan Yingchun	Beneficial owner	500,000[2]	0.02%
Ms. Wu Wallis (alias Li Hua)	Interest of spouse	1,500,000[2]	0.06%
Mr. Liu Weixing	Beneficial owner	1,000,000[2]	0.04%

(b) Long positions in the Debentures:

US$200,000,000 aggregate principal amount of its 8.0% Senior Notes due 2020 (the "US$200 Million Senior Notes due 2020")

Name of Director	Capacity and nature of interest	Amount of debentures held	Approximate percentage of the interest in the US$200 Million Senior Notes due 2020[4]
Mr. Lucas Ignatius Loh Jen Yuh	Beneficial owner	US$500,000	0.25%

Notes:

1. The 1,146,315,639 Shares were registered in the name and were beneficially owned by Joy Bright Investments Limited ("Joy Bright"), a company wholly owned by Mr. Wu Po Sum. Accordingly, he was deemed to be interested in the 1,146,315,639 Shares by virtue of the SFO.

2. Such interest in the Shares is held pursuant to the share options granted under the Share Option Scheme (as defined below), the details of which are disclosed pages 90 to 92 of this annual report.

3. The percentage of the interest in the Company's issued share capital is based on a total of 2,449,262,560 Shares of the Company in issue.

4. The percentage of the interest in the USD Senior Notes is based on the aggregate principal amount of US$200,000,000.

Save as disclosed above or under the section headed "Share Option Schemes" below, as at 31 December 2017, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any Shares, underlying shares and Debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the company and the Stock Exchange pursuant to the Model code.

SHARE OPTION SCHEMES

The shareholders of the Company (the "Shareholders") conditionally adopted the share option scheme (the "Share Option Scheme") pursuant to the written resolutions dated 14 May 2008. The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus aligning their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

Under the Share Option Scheme, the employees of the Group (including the executive Directors) and such other persons as the Board may consider appropriate may be granted options which entitle them to subscribe for Shares representing, when aggregated with any Shares subject to any other scheme(s) of the Company, up to a maximum of 10% of the Shares in issue of the Company as of 6 June 2008, unless the Company obtains a fresh approval from the Shareholders to renew the said limit or the Shareholders specifically approve the grant.

The total number of Shares issued or to be issued upon exercise of the share options granted and yet to be exercised under the Share Option Scheme or any other share option scheme(s) adopted by the Company must not exceed 30% of the total number of Shares in issue from time to time. The amount payable by a grantee on acceptance of a grant of the option is HK$1.00 (or its equivalent in RMB or any other currency acceptable to the Company).

The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted pursuant to the Share Option Scheme and any other share option scheme(s) of the Company to each participant in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue. Any further grant of options which would result in the number of the Shares issued as aforesaid exceeding the said 1% limit must be approved by the Shareholders in general meeting at which such participant and his or her associates must abstain from voting.

Any grant of share options to a participant who is a Director, chief executives, or substantial Shareholder or any of their respective associates must be approved by the independent non-executive Directors, excluding any independent non-executive Director who is the grantee of the share options.

The exercise periods of the share options may be specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of the grant. As at 31 December 2017, share options to subscribe for 24,225,920 Shares (representing approximately 0.99% of the issued share capital of the Company as at the date of the 2017 annual report of the Company dated 12 March 2018) remained outstanding.

The subscription price for the Shares under the Share Option Scheme shall be determined by the Board in its absolute discretion and notified to a participant, provided that such price shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of a share option which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five consecutive trading days immediately preceding the date of offer; and (iii) the nominal value of a Share.

The Share Option Scheme will expire on 13 May 2018.

Movements of the share options granted by the Company under the Share Option Scheme during the year from 1 January 2017 to 31 December 2017 were as follows:

Name or category of participants	Date of grant	Exercise price per Share	Exercise period (Notes)	Number of share options granted under the Share Option Scheme As at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2017
Directors								
Mr. Wu Po Sum	25 May 2010	HK$1.853	2	2,050,400	–	–	–	2,050,400
Ms. Yan Yingchun	25 May 2010	HK$1.853	2	–	–	–	–	–
	27 March 2013	HK$2.560	4	500,000	–	–	–	500,000
	23 May 2017	HK$1.764	5	–	10,000,000	–	–	10,000,000
Mr. Liu Weixing	23 May 2017	HK$1.764	5	–	20,000,000	–	–	20,000,000
Ms. Wu Wallis[6]	27 March 2013	HK$2.560	4	1,500,000	–	–	–	1,500,000
	23 May 2017	HK$1.764	5	–	7,000,000	–	–	7,000,000
Chief Executive Officer								
Mr. Chen Jianye (Resigned on 24 March 2017)	25 May 2010	HK$1.853	2	1,132,000	–	(1,132,000)	–	–
	25 July 2011	HK$2.160	3	5,000,000	–	(5,000,000)	–	–
Mr. Yuan Xujun (Appointed on 24 March 2017)	23 May 2017	HK$1.764	5	–	20,000,000	–	–	20,000,000
Senior Management, other employees and consultants of the Group	25 May 2010	HK$1.853	2	3,385,320	–	(359,800)	–	3,025,520
	25 July 2011	HK$2.160	3	1,500,000	–	–	–	1,500,000
	27 March 2013	HK$2.560	4	16,150,000	–	(500,000)	–	15,650,000
	23 May 2017	HK$1.764	5	–	38,000,000	–	(3,000,000)	35,000,000
				31,217,720	95,000,000	(6,991,800)	(3,000,000)	116,225,920

Notes:

1. In relation to each grantee of the share options granted under the Share Option Scheme, no share option is exercisable within the first year from the respective dates of grant, that is, 25 May 2010, 25 July 2011, 27 March 2013 and 23 May 2017 (the "Dates of Grant"), not more than 20% of the share options are exercisable within the second year from the respective Dates of Grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the respective Dates of Grant.

   The initial exercise price of the share options granted on 25 May 2010 under the Share Option Scheme was HK$1.9 per share and was adjusted to HK$1.853 per share on 28 June 2011 as a result of and following the Rights Issue conducted by the Company.

2. The share options are divided into 3 tranches exercisable from 25 May 2011, 25 May 2012 and 25 May 2013 respectively to 24 May 2020.

3. The share options are divided into 3 tranches exercisable from 25 July 2012, 25 July 2013 and 25 July 2014 respectively to 24 July 2021.

4. The share options are divided into 3 tranches exercisable from 27 March 2014, 27 March 2015 and 27 March 2016 respectively to 26 March 2023.

5. The share options are divided into 3 tranches exercisable from 23 May 2018, 23 May 2019 and 23 May 2020 respectively to 22 May 2027.

6. The 8,500,000 share options are beneficially owned by the spouse of Ms. Wu Wallis (alias Li Hua), therefore Ms. Wu Wallis (alias Li Hua) is deemed to be interested in her spouse's share options for the purposes of the SFO.

Additional information in relation to the Share Option Scheme is set out in note 31 to the financial statements of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any Directors or chief executives of the Company, as at 31 December 2017, other than the interests and short positions of the Directors or chief executives of the Company as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures" and "Share Option Schemes" above, the following persons had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares:

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital[1]
Joy Bright	Beneficial owner	1,146,315,639[2]	46.80%
CapitaLand LF (Cayman) Holdings Co., Ltd ("CapitaLand (Cayman)")	Beneficial owner	658,116,228[3]	26.87%
CapitaLand China	Interest in a controlled corporation	658,116,228[3]	26.87%
CapitaLand China Investments Limited ("CapitaLand China Investments")	Interest in a controlled Corporation	658,116,228[3]	26.87%
CapitaLand Limited ("CapitaLand")	Interest in a controlled corporation	658,116,228[3]	26.87%
Temasek Holdings (Private) Limited ("Temasek Holdings")	Interest in a controlled corporation	658,116,228[3]	26.87%

Notes:

1. The percentage of the interest in the Company's issued share capital is based on a total of 2,449,262,560 Shares in issue.

2. Mr. Wu Po Sum holds 100% of the issued share capital of Joy Bright and is deemed to be interested in the 1,146,315,639 Shares held by Joy Bright for the purposes of the SFO.

3. CapitaLand (Cayman) is directly wholly owned by CapitaLand China. CapitaLand China is directly wholly owned by CapitaLand China Investments and CapitaLand China Investments is directly wholly owned by CapitaLand. Temasek Holdings has an interest in approximately 39.99% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand China Investments, CapitaLand and Temasek Holdings is deemed or taken to be interested in the 658,116,228 Shares which are owned by CapitaLand (Cayman) for the purposes of the SFO.

Save as disclosed above, as at 31 December 2017, there was no other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

Mr. Wu Po Sum & Joy Bright

On 16 May 2008, Mr. Wu Po Sum (the ultimate controlling Shareholder) and Joy Bright (the controlling Shareholder which is a wholly owned subsidiary of Mr. Wu Po Sum) executed in favour of the Company, a non-competition undertaking (the "Non-competition Undertaking A") in respect of the conduct of their property developments or investments in the PRC. Under the Non-competition Undertaking A, each of Mr. Wu Po Sum and Joy Bright undertakes, among others, that during the validity of the Non-competition Undertaking A:

1. he or Joy Bright will not and will procure his or Joy Bright's associates not to engage, directly or indirectly, whether as a Shareholder, officer, partner, agent, consultant or otherwise and whether for profit, reward or otherwise, in any business which will or may, directly or indirectly, compete with the business carried out by the Group;

2. in the event that he/Joy Bright or any of his/Joy Bright's associates identifies or is offered any opportunities to engage in a business that is in competition with that of the Group, he/Joy Bright will and will procure that his/Joy Bright's associates will, as soon as practicable inform the Company of such opportunity and provide such information as is available to him/Joy Bright in respect of such opportunity to the Company. The Company has a right within one month thereafter to take up the opportunity and in the event that the Company decides to take up the opportunity, he/Joy Bright will use his/its best endeavor to assist the Group to obtain such opportunity; in the event that the Company declines such opportunity or fails to respond within the stipulated period, he/Joy Bright or his/Joy Bright's associates may take up such opportunity provided that the terms upon which he takes up such opportunity shall be no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking A dated 28 February 2018 provided by Mr. Wu Po Sum and Joy Bright respectively, each of them confirms that during the period from 1 January to 31 December 2017 (the "Relevant Period"), (i) all the relevant terms of the Non-competition Undertaking A have been fully complied with in all material respects; and (ii) neither of them identified or was offered any opportunities to engage in a business that is in competition with that of the Group.

CapitaLand (Cayman) & CapitaLand China

On 16 May 2008, CapitaLand (Cayman) (the strategic investor and the substantial Shareholder) and CapitaLand China (the holding company of CapitaLand (Cayman)) executed in favour of the Company, a non-competition undertaking (the "Non-competition Undertaking B") in respect of the conduct of their certain activities in the PRC. Under the Non-competition Undertaking B, CapitaLand (Cayman) and CapitaLand China undertake, among others, that during the validity of the Non-competition Undertaking B:

1. each of them will not in the provinces of Henan, Hubei, Hunan, Shanxi, Anhui and Shaanxi (the "Provinces"), either on their own account or in conjunction with or on behalf of any natural person, company, corporation, association, partnership, organisation, business firm, joint venture, trust, unincorporated organisation or any other entity or organisation, or any governmental authority (the "Person(s)"), carry on or be engaged, concerned or interested directly or indirectly whether as Shareholder, director, employee, partner, agent or otherwise in carrying on the business of residential property development (other than as a holder of not more than 5% of the issued shares or debentures of any company listed on any recognized stock exchange);

2. In the event that CapitaLand (Cayman)/CapitaLand China identifies or is offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group, CapitaLand (Cayman)/CapitaLand China agrees to notify the company of such opportunity and that the Company shall have an option to negotiate and participate in such project provided that such option shall be exercisable by the Company within 30 days upon the receipt of the relevant information on such project from CapitaLand (Cayman)/CapitaLand China. Upon the expiry of such 30-day period, unless the Company has communicated to CapitaLand (Cayman)/CapitaLand China the Company's intention to participate in the relevant project, CapitaLand (Cayman)/CapitaLand China may participate in such project on its own account or in conjunction with or on behalf of any Person on terms no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking B dated 28 February 2018 provided by CapitaLand (Cayman) and CapitaLand China respectively, each of them confirms that during the Relevant Period, (i) all the relevant terms of the Non-competition undertaking B have been fully complied with in all material respects; and (ii) neither of them identified or was offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group (namely, residential property development in the Provinces or such other businesses as may be agreed in writing between the Company and CapitaLand (Cayman)/CapitaLand China), save as disclosed below:

CapitaLand China, through CapitaLand Value Home China Business ("CVH China") and CapitaLand Township Holdings Pte Ltd ("CapitaLand Township China"), commenced certain residential development projects in two of the Provinces, namely Hubei（湖北）and Shaanxi（陝西）, during the Relevant Period. In accordance with the requirements of the Non-competition Undertaking B, CapitaLand (Cayman)/CapitaLand China sent two notices to the Company on 13 March 2013 and 29 May 2013 offering the Company the opportunity to participate in the aforesaid projects. On 26 June 2013, the Company replied not accepting the offer to participate in all current and future residential projects undertaken or to be undertaken by CVH China and CapitaLand Township China in Wuhan and Xian and waiving the notice requirement under clause 2.1(c) of the Non-competition Undertaking B in respect of all future residential property development project(s) to be undertaken by each of CVH China and CapitaLand Township China in Wuhan and Xian.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has subscribed appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Group.

CONNECTED TRANSACTION

There were no transactions to be disclosed as connected transactions in accordance with the requirements of the Listing Rules during the year ended 31 December 2017.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in note 41 to the financial statements, there are no significant events subsequent to 31 December 2017 which would materially affect the Group's operating and financial performance as of the date of this report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries and its joint ventures purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law of the Cayman Islands.

RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group had joined a mandatory Hong Kong provident fund scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at specified rates. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme. During the year, the Group made contribution to the schemes amounting to approximately RMB32.61 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed level of public float during the year and up to the date of this report as required under the Listing Rules.

BANK LOANS, OTHER LOANS, CORPORATE BONDS AND SENIOR NOTES

Particulars of bank loans, other loans, senior notes and corporate bonds of the Group as at 31 December 2017 are set out in notes 25, 26, 29 and 30 to the financial statements respectively.

DONATIONS

Charitable donations and other donations made by the Group during the year amounted to RMB201 million (2016: RMB151 million). For further details, please refer to "Charity" on page 62 in the section of Environmental, Social and Governance Report.

MATERIAL LITIGATION AND ARBITRATION

For the year ended 31 December 2017, the Company was not involved in any litigation, arbitration or claims of material importance and there was no litigation or claim of material importance which was known to the Directors to be pending or threatened by or against the Company.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report at pages 63 to 76 of this annual report.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Annual Results, including the accounting principles and practices adopted by the Group, and discussed auditing, risk management and internal control systems and financial reporting matters as well as the audited financial statements for the year ended 31 December 2017 with the management.

AUDITORS

KPMG will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the 2018 AGM.

By order of the board
Wu Po Sum
Chairman
Hong Kong, 12 March 2018

Independent Auditor's Report

Independent auditor's report to the shareholders of Central China Real Estate Limited

(Incorporated in the Cayman Islands with Limited Liability)

OPINION

We have audited the consolidated financial statements of Central China Real Estate Limited ("the Company") and its subsidiaries ("the Group") set out on pages 103 to 220, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. 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 HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with the 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 period. 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.

Revenue recognition on the sale of properties

Refer to note 4 to the consolidated financial statements and the accounting policies in note 2(v) on page 128.

The Key Audit Matter	How the matter was addressed in our audit
The Group is an integrated property developer in Mainland China focusing on residential property development in Henan Province. Recorded revenue from the sale of properties for the year ended 31 December 2017 totalled RMB13,211 million, which accounted for 95% of the Group's total revenue for the year. Revenue arising from the sale of properties is recognised when the following three criteria are all met: (1) the signing of the sale and purchase agreement; (2) the completion of the properties, which the management considers to be the point in time when completion of construction is certified jointly by the Group and four external parties which are responsible for inspection, design, construction and supervision respectively (namely, the "property completion certification"); and (3) the collectability of the related receivable is reasonably assured. Deposits and instalments received in respect of pre-sale of properties prior to the date of revenue recognition are included in the consolidated statement of financial position as receipts in advance. We identified revenue recognition on the sale of properties as a key audit matter because revenue is one of the key performance indicators of the Group and because of its significance to the consolidated financial statements, both of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet expectations or targets.	Our audit procedures to assess revenue recognition on the sale of properties included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue on the sale of properties; • selecting a sample of property sale transactions from the total property sales recorded for the year (with a particular emphasis on property sales close to the financial reporting date) and inspecting the underlying documentation in respect of the related revenue, which included signed sales and purchase agreements, property completion certifications and records of proceeds received, to assess the amount recorded and assess whether the related revenue had been properly recognised in the appropriate accounting period; • conducting site visits to property development projects for which revenue had been recognised in the current year, on a sample basis, to observe the completion status; • assessing whether the proceeds from sales and pre-sales of property had been received by comparing the amounts receivable for a sample of signed sales and purchase agreements with bank statements and assessing whether the related revenue should have been recorded in the current period or should have been deferred as receipts in advance from pre-sale of properties; • scrutinising all manual journal entries raised during the year relating to revenue and inspecting relevant underlying documentation for journal entries which were considered to be material or unusual items that meet other specific risked-based criteria.

Assessing the net realisable value of properties for sale

Refer to note 20 to the consolidated financial statements and the accounting policies in note 2(m) on page 123.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2017, the Group held a number of property development projects for sale located in various cities in Henan Province, including properties held for future development, properties under development for sale and completed properties held for sale, which totalled RMB24,341 million, which represented 39% of the Group's total assets as at that date. Properties for sale are stated at the lower of cost and net realisable value. The calculation of the net realisable value of each property for sale at the financial reporting date is performed by management. The calculation of net realisable value of these properties involves significant management judgement and estimation in preparing and updating project feasibility studies and estimations of the future costs to complete each property development project as well as in assessing the expected selling prices (by reference to recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations) and the estimated future selling costs (including price discounts which may be required to stimulate sales).	Our audit procedures to assess the net realisable value of properties held for sale included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for property developments; • comparing, on a sample basis, the most recent budget forecasts for development projects with the relevant underlying contracts; • conducting site visits to properties held for future development, properties under development for sale and completed properties held for sale, on a sample basis, discussing with site management and observing the development progress and comparing the observed development progress with the Group's financial accounting records; • for those properties held for future development and properties under development for sale, discussing with management, on a sample basis, the development progress and challenging management's development budgets reflected in the latest forecasts with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;

The Key Audit Matter	How the matter was addressed in our audit
We identified the assessment of the net realisable value of properties for sale as a key audit matter because of the inherent risks involved in estimating the net realisable values, particularly in light of the current economic circumstances and various property market cooling measures introduced by local governments in various cities across Mainland China.	• discussing with management and challenging the key estimates and assumptions adopted in their assessment of the net realisable values of properties for sale, on a sample basis by: (1) comparing expected selling prices with, where available, recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations and the sales budget plans maintained by the management; and (2) comparing estimated future selling costs to historical statistics and market available data; • re-performing calculations made by management in arriving at the year end assessment of net realisable values of properties for sale; • performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for properties for sale to be materially misstated and considering the likelihood of such a movement in those key estimates arising.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine 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, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, 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 the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

- 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Chi Hung.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

12 March 2018

Consolidated Income Statement

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Revenue	4	**13,879,207**	9,495,022
Cost of sales		**(10,598,430)**	(7,202,155)
Gross profit		**3,280,777**	2,292,867
Other revenue	5	**106,810**	228,696
Other net income	5	**258,358**	17,600
Selling and marketing expenses		**(697,149)**	(478,899)
General and administrative expenses		**(1,087,227)**	(808,433)
Other operating income		**48,627**	43,037
		1,910,196	1,294,868
Share of losses of associates		**(4,422)**	(1,160)
Share of profits less losses of joint ventures		**198,943**	107,386
Finance costs	6(a)	**(408,051)**	(400,806)
Profit before change in fair value of investment properties and income tax		**1,696,666**	1,000,288
Net valuation gain on investment properties	13	**243,400**	27,223
Profit before taxation	6	**1,940,066**	1,027,511
Income tax	7(a)	**(1,040,784)**	(623,391)
Profit for the year		**899,282**	404,120
Attributable to:			
Equity shareholders of the Company		**811,365**	402,973
Non-controlling interests		**87,917**	1,147
Profit for the year		**899,282**	404,120
Earnings per share	10		
– Basic (RMB cents)		**33.19**	16.50
– Diluted (RMB cents)		**32.95**	16.50

The notes on pages 112 to 220 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 33(c).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

(Expressed in Renminbi)

	2017 RMB'000	2016 RMB'000
Profit for the year	**899,282**	404,120
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of overseas subsidiaries	**395,114**	(539,441)
– Cash flow hedge:		
– Effective portion of changes in fair value	**(33,069)**	(18,276)
– Transfer from equity to profit or loss	**74,225**	31,705
Other comprehensive income for the year	**436,270**	(526,012)
Total comprehensive income for the year	**1,335,552**	(121,892)
Attributable to:		
Equity shareholders of the Company	**1,246,481**	(121,314)
Non-controlling interests	**89,071**	(578)
Total comprehensive income for the year	**1,335,552**	(121,892)

There is no tax effect relating to the above component of the other comprehensive income.

The notes on pages 112 to 220 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	*12*	**3,793,340**	3,024,802
Investment properties	*13*	**1,297,000**	575,870
Intangible assets	*14*	**204,300**	131,250
Interests in associates	*16*	**536,549**	27,168
Interests in joint ventures	*17*	**9,026,377**	6,276,091
Other financial assets	*18*	**486,366**	190,080
Deferred tax assets	*32(b)*	**100,742**	127,461
		15,444,674	10,352,722
Current assets			
Trading securities	*19*	**97,105**	105,868
Properties for sale	*20*	**24,341,214**	18,026,529
Trade and other receivables	*21*	**1,664,421**	887,613
Deposits and prepayments	*22*	**6,554,002**	3,161,766
Tax recoverable	*32(a)*	**1,016,854**	610,171
Restricted bank deposits	*23*	**2,125,062**	1,404,821
Cash and cash equivalents		**11,283,853**	9,776,310
		47,082,511	33,973,078
Current liabilities			
Bank loans	*25*	**(450,118)**	(514,265)
Other loans	*26*	**(90,000)**	(90,000)
Payables and accruals	*27*	**(22,034,089)**	(14,842,040)
Receipts in advance	*28*	**(15,087,593)**	(6,832,439)
Senior notes	*29*	**(3,890,692)**	(960,216)
Taxation payable	*32(a)*	**(1,116,940)**	(1,151,686)
		(42,669,432)	(24,390,646)
Net current assets		**4,413,079**	9,582,432
Total assets less current liabilities		**19,857,753**	19,935,154

Consolidated Statement of Financial Position (Continued)

at 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Bank loans	*25*	**(3,437,460)**	(1,851,175)
Other loans	*26*	**(210,000)**	(300,000)
Payables and accruals		**(58,302)**	(60,000)
Corporate bonds	*30*	**(2,986,914)**	(2,978,128)
Senior notes	*29*	**(4,518,961)**	(7,662,270)
Deferred tax liabilities	*32(b)*	**(172,947)**	(86,255)
		(11,384,584)	(12,937,828)
NET ASSETS		**8,473,169**	6,997,326
CAPITAL AND RESERVES			
Share capital	*33(a)*	**216,916**	216,322
Reserves		**7,477,757**	6,205,741
Total equity attributable to equity shareholders of the Company		**7,694,673**	6,422,063
Non-controlling interests		**778,496**	575,263
TOTAL EQUITY		**8,473,169**	6,997,326

Approved and authorised for issue by the board of directors on 12 March 2018.

Wu Po Sum
Executive Director

Yan Yingchun
Executive Director

The notes on pages 112 to 220 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital *(Note 33(a)(i))* RMB'000	Share premium *(Note 33(b)(i))* RMB'000	Statutory reserve fund *(Note 33(b)(ii))* RMB'000	Other capital reserve *(Note 33(b)(iii))* RMB'000	Exchange reserve *(Note 33(b)(iv))* RMB'000	Share-based compensation reserve *(Note 33(b)(v))* RMB'000	Property revaluation reserve *(Note 33(b)(vi))* RMB'000	Hedging reserve *(Note 33(b)(vii))* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		216,322	1,666,254	1,966,919	462,807	(492,448)	17,116	6,479	(41,156)	2,619,770	6,422,063	575,263	6,997,326
Changes in equity for 2017:													
Profit for the year		-	-	-	-	-	-	-	-	811,365	811,365	87,917	899,282
Other comprehensive income		-	-	-	-	393,960	-	-	41,156	-	435,116	1,154	436,270
Total comprehensive income		-	-	-	-	393,960	-	-	41,156	811,365	1,246,481	89,071	1,335,552
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(64,859)	(64,859)
Appropriation to statutory reserve fund		-	-	343,759	-	-	-	-	-	(343,759)	-	-	-
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	-	-	99,600	99,600
Shares issued under share option scheme		594	14,467	-	-	-	(2,444)	-	-	-	12,617	-	12,617
Equity settled share-based payment	*6(b)*	-	-	-	-	-	12,258	-	-	-	12,258	-	12,258
Disposal of subsidiaries	*38(b)*	-	-	-	-	-	-	-	-	-	-	(24,802)	(24,802)
Disposal of partial interest in subsidiaries		-	-	-	448	-	-	-	-	-	448	8,509	8,957
Acquisitions of additional interests in subsidiaries		-	-	-	806	-	-	-	-	-	806	(10,806)	(10,000)
Acquisitions of subsidiaries	*38(a)*	-	-	-	-	-	-	-	-	-	-	106,520	106,520
		594	14,467	343,759	1,254	-	9,814	-	-	(343,759)	26,129	114,162	140,291
Balance at 31 December 2017		216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	-	3,087,376	7,694,673	778,496	8,473,169

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2017

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital *(Note 33(a)(i))* RMB'000	Share premium *(Note 33(b)(i))* RMB'000	Statutory reserve fund *(Note 33(b)(ii))* RMB'000	Other capital reserve *(Note 33(b)(iii))* RMB'000	Exchange reserve *(Note 33(b)(iv))* RMB'000	Share-based compensation reserve *(Note 33(b)(v))* RMB'000	Property revaluation reserve *(Note 33(b)(vi))* RMB'000	Hedging reserve *(Note 33(b)(vii))* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016		216,322	1,666,254	1,766,679	478,232	45,268	19,067	6,479	(54,585)	2,654,944	6,798,660	518,859	7,317,519
Changes in equity for 2016:													
Profit for the year		–	–	–	–	–	–	–	–	402,973	402,973	1,147	404,120
Other comprehensive income		–	–	–	–	(537,716)	–	–	13,429	–	(524,287)	(1,725)	(526,012)
Total comprehensive income		–	–	–	–	(537,716)	–	–	13,429	402,973	(121,314)	(578)	(121,892)
Final dividends approved in respect of the previous year	*33(c)(ii)*	–	–	–	–	–	–	–	–	(240,295)	(240,295)	–	(240,295)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(26,200)	(26,200)
Appropriation to statutory reserve fund		–	–	200,240	–	–	–	–	–	(200,240)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	75,968	75,968
Equity settled share-based payment	*6(b)*	–	–	–	–	–	437	–	–	–	437	–	437
Lapse of share-based transaction		–	–	–	–	–	(2,388)	–	–	2,388	–	–	–
Disposals of subsidiaries	*38(e)*	–	–	–	–	–	–	–	–	–	–	(40,744)	(40,744)
Disposal of partial interest in a subsidiary		–	–	–	(329)	–	–	–	–	–	(329)	11,729	11,400
Acquisitions of additional interests in subsidiaries		–	–	–	(15,096)	–	–	–	–	–	(15,096)	(14,523)	(29,619)
Acquisitions of subsidiaries	*38(d)*	–	–	–	–	–	–	–	–	–	–	50,752	50,752
		–	–	200,240	(15,425)	–	(1,951)	–	–	(438,147)	(255,283)	56,982	(198,301)
Balance at 31 December 2016		216,322	1,666,254	1,966,919	462,807	(492,448)	17,116	6,479	(41,156)	2,619,770	6,422,063	575,263	6,997,326

The notes on pages 112 to 220 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Profit before taxation		**1,940,066**	1,027,511
Adjustments for:			
Interest income	*5*	**(91,309)**	(225,675)
Depreciation and amortisation	*6(c)*	**255,448**	228,012
Equity settled share-based payment expenses	*6(b)*	**12,258**	437
Dividend income from equity securities	*5*	**(13,776)**	(1,521)
Net increase in fair value of investment properties	*13*	**(243,400)**	(27,223)
Net loss on disposals of property, plant and equipment	*5*	**412**	295
Share of losses of associates	*16*	**4,422**	1,160
Share of profits less losses of joint ventures		**(198,943)**	(107,386)
Finance costs	*6(a)*	**408,051**	400,806
Unrealised and realised loss/(gain) on trading securities	*5*	**1,081**	(19,583)
Write down of properties for sale	*5*	**64,766**	26,271
Net gain on disposals of subsidiaries	*5*	**(189,647)**	(813)
Net loss/(gain) on deemed disposals of subsidiaries	*5*	**(280)**	18,611
Gain on disposal of a joint venture	*5*	**(12,577)**	–
Net fair value gain upon acquisition of subsidiaries	*5*	**–**	(66,961)
Government grants	*5*	**(1,725)**	(1,500)
Operating profit before changes in working capital carried forward		**1,934,847**	1,252,441

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Operating profit before changes in working capital brought forward		**1,934,847**	1,252,441
Increase in properties for sale		**(5,174,136)**	(262,092)
(Increase)/decrease in trade and other receivables		**(1,327,725)**	218,941
(Increase)/decrease in deposits and prepayments		**(5,324,714)**	460,044
Increase in restricted bank deposits		**(656,910)**	(81,987)
Increase in payables and accruals		**10,263,449**	71,851
Increase in receipts in advance		**7,331,682**	1,298,673
Cash generated from operations		**7,046,493**	2,957,871
PRC tax paid		**(1,286,610)**	(846,508)
Net cash generated from operating activities		**5,759,883**	2,111,363
Investing activities			
Payment for purchase of property, plant and equipment		**(998,311)**	(354,295)
Proceeds from disposals of property, plant and equipment		**480**	1,559
Payment for purchase of intangible asset		**(106,039)**	(35,000)
Net cash paid upon acquisitions of subsidiaries	*38(a)/(d)*	**(624,326)**	(1,829,031)
Acquisitions of additional interests in subsidiaries		**(10,000)**	(29,619)
Net cash outflow upon deemed disposals of subsidiaries	*38(c)/(f)*	**(903)**	(97,075)
Net cash inflow/(outflow) upon disposals of subsidiaries	*38(b)/(e)*	**283,588**	(175,748)
Net cash inflow upon disposal of partial interest in subsidiaries		**8,957**	11,400
Disposals of joint ventures		**15,560**	–
Investments in joint ventures		**(124,694)**	(18,750)
Return of capital from a joint venture		**–**	2,038
Payment for purchase of other financial assets		**(300,000)**	(120,000)
Proceeds from disposals of other financial assets		**3,714**	40,000
Advances to joint ventures		**(2,650,790)**	(472,069)
Repayment from joint ventures		**52,417**	639,529
Dividend received from joint ventures		**130,139**	167,605
Advances to associates		**(393,803)**	(3,000)
Investment in new associates		**(120,000)**	–
Dividend received from equity securities		**13,776**	1,521
Interest received		**91,309**	225,675
Net cash used in investing activities		**(4,728,926)**	(2,045,260)

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Financing activities			
Proceeds from new bank loans	*24*	**2,791,858**	1,184,350
Repayment of bank loans	*24*	**(1,212,674)**	(1,150,488)
Repayment of other loans	*24*	**(90,000)**	(332,700)
Net proceeds from issue of senior notes	*24, 29(f)*	**1,330,129**	1,359,663
Repayment of redemption upon maturity senior notes	*24, 29(c)*	**(1,098,655)**	(792,969)
Net proceeds from issue of corporate bonds	*30*	**–**	2,972,090
Proceeds from shares issued under share option scheme		**12,617**	–
Interest paid	*24*	**(1,228,316)**	(846,479)
Dividend paid		**–**	(240,295)
Dividend paid to non-controlling interests		**(64,859)**	(26,200)
Capital contribution from non-controlling interests		**99,600**	75,968
Net cash generated from financing activities		**539,700**	2,202,940
Net increase in cash and cash equivalents		**1,570,657**	2,269,043
Cash and cash equivalents at 1 January		**9,776,310**	7,422,350
Effect of foreign exchange rate changes		**(63,114)**	84,917
Cash and cash equivalents at 31 December		**11,283,853**	9,776,310

The notes on pages 112 to 220 form part of these financial statements.

1 GENERAL

Central China Real Estate Limited ("the Company") is a limited liability company incorporated in the Cayman Islands on 15 November 2007. Its principal place of business is at Room 7701B–7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal activity of the Company is investment holding and its subsidiaries are principally engaged in property development in Henan Province in the People's Republic of China ("the PRC").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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 the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(i) The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and joint ventures. The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand.

(ii) The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment property (see note 2(h));
- financial instruments classified as trading securities (see note 2(e)); and
- derivative financial instruments (see note 2(f)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

(ii) (Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(d)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 2(l)).

(d) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates and joint ventures (Continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)).

In the Company's statement of financial position investments in associates and joint ventures are stated at cost less impairment losses (see note 2(l)).

(e) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any interest or dividends earned on these investments as these are recognised in accordance with the policies set out in notes 2(v)(v) and (vi).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other investments in equity securities (Continued)

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(l)). Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in note 2(v)(vi).

When the investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(g)).

(g) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Cash flow hedges (Continued)

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(v)(iii)

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(k).

(i) Property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)):

– buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 2(k)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

(i) Property, plant and equipment (Continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

– Buildings held for own use (including hotel properties) which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion

– Furniture, fixtures and equipment 5 to 10 years

– Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(ii) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(l)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Patents	10 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

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

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(h)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(h)) or properties for sale (see note 2(m)).

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible asset; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Properties for sale

Properties for sale are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(x)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(ii) Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Senior notes

Senior notes of the Company are issued with early redemption clause at the option of the Company.

At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments (see note 2(f)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(f). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payables, using the effective interest method.

(q) Payables

Payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(u)(i), payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale and investment properties under development not yet recognised as an expense.

(ii) *Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Financial guarantees issued, provisions and contingent liabilities (Continued)

(i) Financial guarantees issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer, and collectability of the related receivable is reasonably assured. Revenue from sales of properties with a repurchase clause is recognised when the Group no longer has the obligation to repurchase the properties. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under "Receipts in advance".

(ii) Project management service fee income

Project management service fee income is recognised when the service is performed or on a systematic basis during the service period.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue recognition (Continued)

(iii) *Rental income from operating leases*

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

(iv) *Hotel operations*

Revenue arising from hotel operations is recognised on a basis that reflects the timing, nature and value when relevant services are provided.

(v) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(vi) *Dividend income*

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the time investment goes ex-dividend.

(vii) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Where grants that compensate the Group for the cost of an asset, the fair value is included in the statement of financial position under "payables and accruals" and is released to profit or loss over the expected useful life of the relevant asset.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Related parties (Continued)

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

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

(iv) One entity is a joint venture of a third 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.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 24 to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities 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.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE

The principal activities of the Group are property development, property leasing, hotel operations and provision of project management service.

Revenue represents income from sales of properties, rental income, revenue from hotel operations and project management service fee income. The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2017	2016
	RMB'000	RMB'000
Income from sales of properties	**13,210,985**	9,119,947
Rental income	**94,930**	94,537
Revenue from hotel operations	**265,530**	241,514
Project management service fee income	**307,762**	39,024
	13,879,207	9,495,022

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

5 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2017 RMB'000	2016 RMB'000
Other revenue		
Interest income on financial assets not at fair value through profit or loss	**91,309**	225,675
Dividend income from equity securities	**13,776**	1,521
Government grants	**1,725**	1,500
	106,810	228,696
Other net income/(loss)		
Net loss on disposals of property, plant and equipment	**(412)**	(295)
Net gain on disposals of subsidiaries *(notes 38(b) and (e))*	**189,647**	813
Net gain/(loss) on deemed disposals of subsidiaries *(notes 38(c) and (f))*	**280**	(18,611)
Net fair value gain on acquisition of subsidiaries *(notes 38(d))*	**–**	66,961
Net gain on disposal of a joint venture	**12,577**	–
Net exchange gain/(loss)	**59,362**	(45,503)
Unrealised (loss)/gain on trading securities	**(1,081)**	19,583
Write down of properties for sale	**(64,766)**	(26,271)
Others	**62,751**	20,923
	258,358	17,600

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2017 RMB'000	2016 RMB'000
(a) Finance costs		
Interest on bank loans	**194,910**	139,603
Interest on other loans	**39,355**	112,751
Interest on amounts due to joint ventures	**–**	107,674
Interest on senior notes	**660,510**	588,331
Interest on corporate bonds	**188,787**	136,229
	1,083,562	1,084,588
Less: Borrowing costs capitalised*	**(846,043)**	(635,237)
	237,519	449,351
Net change in fair value of derivatives embedded in senior notes *(notes 29(a), (b), (c), (d), (e) and (f))*	**170,532**	(48,545)
	408,051	400,806

* Borrowing costs have been capitalised at a rate of 4.35% – 20% per annum (2016: 4.35% – 11.8% per annum).

6 PROFIT BEFORE TAXATION (Continued)

	2017 RMB'000	2016 RMB'000
(b) Staff costs		
Salaries, wages and other benefits	**588,470**	326,582
Including:		
– Retirement scheme contributions	**68,849**	45,243
– Equity settled share-based payment expenses *(note 31(d))*	**12,258**	437

Employees of the Company's subsidiaries in the PRC ("PRC subsidiaries") are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a Mandatory Provident Fund Scheme ("the MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

	2017 RMB'000	2016 RMB'000
(c) Other items		
Depreciation and amortisation	**255,448**	228,012
Group auditor's remuneration		
– audit services	**4,546**	4,062
– review and other services	**1,300**	1,280
Local statutory auditors' remuneration		
– audit services	**574**	537
– review and other services	**1,645**	1,760
Cost of properties sold	**10,385,586**	7,019,341
Sponsorship fee for local football events	**137,100**	128,400
Operating lease charges in respect of properties	**30,973**	32,990
Rental income from investment properties	**(28,563)**	(11,911)
Rental income from properties for sale less direct outgoings of RMB1,344,000 (2016: RMB12,354,000)	**(65,023)**	(68,112)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2017 RMB'000	2016 RMB'000
Current tax *(note 32(a))*		
PRC Corporate Income Tax	**554,960**	373,535
PRC Land Appreciation Tax		
– Provision for the year	**386,314**	274,794
– Over-provision in prior years	**(13,901)**	(49,413)
Withholding tax	**–**	7,092
	927,373	606,008
Deferred tax *(note 32(b))*		
Revaluation of properties	**60,518**	6,474
PRC Land Appreciation Tax	**26,719**	1,097
Others	**26,174**	9,812
	113,411	17,383
	1,040,784	623,391

(i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

(iii) *PRC Corporate Income Tax ("CIT")*

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain PRC subsidiaries were subject to CIT calculated based on the deemed profit which represents 10% (2016: 10%) of their revenue in accordance with the authorised taxation method pursuant to the applicable PRC tax regulations. The tax rate was 25% (2016: 25%) on the deemed profit. Other PRC subsidiaries, which were subject to the actual taxation method, were charged CIT at a rate of 25% (2016: 25%) on the estimated assessable profits for the year.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(a) Taxation in the consolidated income statement represents: (Continued)

(iv) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT（《中華人民共和國土地增值稅暫行條例》）effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT（《中華人民共和國土地增值稅暫行條例實施細則》）effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties（普通標準住宅）if their appreciation values do not exceed 20% of the sum of the total deductible items.

(v) Withholding tax

Withholding taxes are levied on the Company's subsidiaries in Hong Kong ("Hong Kong subsidiaries") in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 and interest on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 12%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2017 **RMB'000**	2016 RMB'000
Profit before taxation	**1,940,066**	1,027,511
Tax on profit before tax, calculated at 25% (2016: 25%)	**485,017**	256,878
Difference in tax rates for certain subsidiaries	**68,069**	31,826
Tax effect of non-taxable income	**(76,333)**	(33,090)
Tax effect of non-deductible expenses	**194,374**	131,262
Tax effect of unused tax losses not recognised	**104,591**	65,863
Utilisation of tax loss not recognised in prior years	**(14,244)**	(5,476)
Over-provision of LAT in prior years	**(13,901)**	(49,413)
Withholding tax	**–**	7,092
LAT	**386,314**	274,794
Tax effect of LAT	**(93,103)**	(56,345)
Income tax expense	**1,040,784**	623,391

8 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and chief executive's emoluments are as follows:

2017

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Share-based payments *(note)* RMB'000	Total RMB'000
Executive directors						
Wu Po Sum	–	676	–	–	–	676
Yan Yingchun	–	997	–	–	1,316	2,313
Liu Weixing (Appointed on 24 March 2017)	–	6,360	51	514	2,633	9,558
Non-executive directors						
Lucas Ignatius Loh Jen Yuh	87	–	–	–	–	87
Puah Tze Shyang	87	–	–	–	–	87
Wallis Wu (alias Li Hua)	–	225	11	–	–	236
Independent non-executive directors						
Cheung Shek Lun	208	–	–	–	–	208
Xin Luo Lin	208	–	–	–	–	208
Muk Kin Yau	208	–	–	–	–	208
Chief executive						
Yuan Xujun (Appointed on 24 March 2017)	–	3,784	–	539	2,633	6,956
Chen Jianye (Resigned on 24 March 2017)	–	931	–	–	–	931
Total	798	12,973	62	1,053	6,582	21,468

8 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

2016

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Share-based payments *(note)* RMB'000	Total RMB'000
Executive directors						
Wu Po Sum	–	4,423	–	–	–	4,423
Yan Yingchun	–	1,077	–	–	9	1,086
Non-executive directors						
Lucas Ignatius Loh Jen Yuh	87	–	–	–	–	87
Puah Tze Shyang	87	–	–	–	–	87
Wallis Wu (alias Li Hua)	–	227	11	–	–	238
Independent non-executive directors						
Cheung Shek Lun	209	–	–	–	–	209
Xin Luo Lin	209	–	–	–	–	209
Muk Kin Yau	209	–	–	–	–	209
Chief executive						
Chen Jianye	–	2,655	29	1,244	–	3,928
Total	801	8,382	40	1,244	9	10,476

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(s)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 31.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2016: one) is director and one (2016: Nil) is CEO whose emolument are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2016: four) individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	**6,100**	9,631
Discretionary bonuses	**7,375**	1,244
Share-based payments	**1,141**	–
Retirement scheme contributions	**56**	60
	14,672	10,935

The emoluments of these three (2016: four) individuals with the highest emoluments are within the following bands:

	2017	2016
HKD2,000,001 to HKD2,500,000	**–**	2
HKD3,000,001 to HKD3,500,000	**–**	1
HKD4,500,001 to HKD5,000,000	**–**	1
HKD5,000,001 to HKD5,500,000	**1**	–
HKD5,500,001 to HKD6,000,000	**1**	–
HKD8,500,001 to HKD9,000,000	**1**	–

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB811,365,000 (2016: RMB402,973,000) and the weighted average of 2,444,333,701 ordinary shares (2016: 2,442,270,760 ordinary shares) in issue during the year, calculated as follows:

	2017 '000	2016 '000
Issued ordinary shares at 1 January	**2,442,271**	2,442,271
Effect of share options exercised *(note 33(a))*	**2,063**	–
Weighted average number of ordinary shares at 31 December	**2,444,334**	2,442,271

10 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB811,365,000 (2016: RMB402,973,000) and the weighted average number of ordinary shares of 2,462,316,916shares (2016: 2,442,270,760 shares), calculated as follows:

(i) *Profit attributable to ordinary equity shareholders of the Company (diluted)*

	2017 RMB'000	2016 RMB'000
Profit attributable to equity shareholders (diluted)	**811,365**	402,973

(ii) *Weighted average number of ordinary shares (diluted)*

	2017 '000	2016 '000
Weighted average number of ordinary shares at 31 December	**2,444,334**	2,442,271
Effect of deemed issue of shares under the Company's share option scheme	**17,983**	–
Weighted average number of ordinary shares (diluted) at 31 December	**2,462,317**	2,442,271

11 SEGMENT REPORTING

(a) Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, *Operating segments*.

(b) Revenue from major services

The Group's revenue from its major services is set out in note 4.

11 SEGMENT REPORTING (Continued)

(c) Geographical information

No geographical information is shown as the revenue and profit from operations of the Group is substantially derived from activities in Henan Province in the PRC.

12 PROPERTY, PLANT AND EQUIPMENT

2017

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2017	285,305	2,599,828	434,022	354,756	50,934	3,724,845
Additions	14,641	3,360	959,843	12,276	8,191	998,311
Disposals	–	(951)	–	(3,282)	(6,996)	(11,229)
Transfer	–	13,108	(16,515)	4,707		1,300
Acquisitions of subsidiaries *(note 38(a))*	–	5,900	–	2,477	2,373	10,750
Disposals of subsidiaries *(note 38(b))*	–	–	–	(662)	(454)	(1,116)
Deemed disposal of a subsidiary *(note 38(c))*	–	–	–	(345)	–	(345)
At 31 December 2017	299,946	2,621,245	1,377,350	369,927	54,048	4,722,516
Accumulated depreciation and amortisation:						
At 1 January 2017	(41,752)	(398,392)	–	(220,390)	(39,509)	(700,043)
Charge for the year	(6,557)	(143,519)	–	(78,532)	(5,550)	(234,158)
Written back on disposals	–	887	–	2,586	6,864	10,337
Acquisitions of subsidiaries *(note 38(a))*	–	(3,766)	–	(1,643)	(754)	(6,163)
Disposals of subsidiaries *(note 38(b))*	–	–	–	252	358	610
Deemed disposal of a subsidiary *(note 38(c))*	–	–	–	241	–	241
At 31 December 2017	(48,309)	(544,790)	–	(297,486)	(38,591)	(929,176)
Net book value:						
At 31 December 2017	251,637	2,076,455	1,377,350	72,441	15,457	3,793,340

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

2016

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2016	285,174	2,452,861	299,070	309,393	48,815	3,395,313
Additions	131	20,966	279,278	48,766	5,154	354,295
Disposals	–	(171)	–	(3,427)	(2,783)	(6,381)
Transfer	–	144,326	(144,326)	–	–	–
Acquisitions of subsidiaries *(note 38(d))*	–	2,438	–	1,629	–	4,067
Disposals of subsidiaries *(note 38(e))*	–	–	–	(286)	(249)	(535)
Deemed disposals of subsidiaries *(note 38(f))*	–	(20,592)	–	(1,319)	(3)	(21,914)
At 31 December 2016	285,305	2,599,828	434,022	354,756	50,934	3,724,845
Accumulated depreciation and amortisation:						
At 1 January 2016	(33,304)	(265,928)	–	(160,216)	(33,685)	(493,133)
Charge for the year	(8,448)	(133,919)	–	(62,689)	(7,956)	(213,012)
Written back on disposals	–	54	–	2,373	2,100	4,527
Acquisitions of subsidiaries *(note 38(d))*	–	(145)	–	(1,123)	–	(1,268)
Disposals of subsidiaries *(note 38(e))*	–	–	–	187	30	217
Deemed disposals of subsidiaries *(note 38(f))*	–	1,546	–	1,078	2	2,626
At 31 December 2016	(41,752)	(398,392)	–	(220,390)	(39,509)	(700,043)
Net book value:						
At 31 December 2016	243,553	2,201,436	434,022	134,366	11,425	3,024,802

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of carrying value of leasehold land is set out as follows:

	2017 **RMB'000**	2016 RMB'000
Long leases	**7,230**	7,430
Medium-term leases	**244,406**	236,123
	251,636	243,553

All the property, plant and equipment of the Group are located in the PRC.

Certain of the Group's property, plant and equipment were pledged as securities of the Group's bank loans (2016: the Group's bank loans or other loans). Details are set out in note 25.

At 31 December 2017, the Group's property, plant and equipment of RMB160,050,000 (2016: RMB160,050,000) were pledged as securities of a joint venture's other loan.

13 INVESTMENT PROPERTIES

	Total RMB'000
At 1 January 2016	442,870
Transfer from properties for sale	105,777
Change in fair value	27,223
At 31 December 2016	575,870
Representing:	
Valuation – 2016	575,870
At 1 January 2017	**575,870**
Transfer from properties for sale	**477,730**
Change in fair value	**243,400**
At 31 December 2017	**1,297,000**
Representing:	
Valuation – 2017	**1,297,000**

Note: Properties held for sale of RMB477,730,000 were transferred from "properties for sale" to "investment properties" as a result of change of use. The properties were measured at fair value at the time of transfer and revaluation gain of RMB215,274,000 had been recognised in the consolidated income statement.

13 INVESTMENT PROPERTIES (Continued)

(a) The analysis of fair value of investment properties is set out as follows:

	2017	2016
	RMB'000	RMB'000
In the PRC		
– long leases	**246,900**	324,300
– medium-term leases	**1,050,100**	251,570
	1,297,000	575,870

(b) Fair value measurement of investment properties

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

13 INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties (Continued)

(i) Fair value hierarchy (Continued)

– Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2017 RMB'000	**Fair value measurements as at 31 December 2017 categorised into**		
		Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurement				
Investment properties:				
– In the PRC	**1,297,000**	**–**	**–**	**1,297,000**

	Fair value at 31 December 2016 RMB'000	Fair value measurements as at 31 December 2016 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– In the PRC	575,870	–	–	575,870

During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2017 and 2016. The valuations were carried out by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

13 INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range	Weighted average
Investment properties In the PRC	Income capitalisation approach	Daily market rent (RMB/sq.m.)	0.42 to 8.51 (2016: 0.43 to 1.70)	3.09 (2016: 0.76)
		Capitalisation rates	4.5% to 7.0% (2016: 4.0% to 7.0%)	5.36% (2016: 4.69%)

In undertaking the valuation of investment properties, the independent firm of surveyors have mainly adopted the income capitalisation approach whereby the rental incomes of contractual tenancies are capitalised for the unexpired terms of tenancies. They have also taken into account the reversionary market rents after the expiry of tenancies in capitalisation. The fair value measurement is positively correlated to the market rent and negatively correlated to the capitalisation rates.

The movements during the year in the balance of these Level 3 fair value measurements are set out in note 13.

Fair value adjustment of investment properties is recognised in the line item “net valuation gain on investment properties” on the face of the consolidated income statement.

All the gains/losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

(c) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group’s total future minimum lease income under non-cancellable operating leases are receivable as follows:

	2017 RMB’000	2016 RMB’000
Within 1 year	**24,767**	10,795
After 1 year but within 5 years	**86,843**	38,481
After 5 years	**47,444**	5,799
	159,054	55,075

14 INTANGIBLE ASSETS

	Patent RMB'000
Cost:	
At 1 January 2016	150,000
Addition during the year	–
At 31 December 2016	150,000
At 1 January 2017	150,000
Addition during the year	94,340
At 31 December 2017	244,340
Accumulated amortisation:	
At 1 January 2016	(3,750)
Charge for the year	(15,000)
At 31 December 2016	(18,750)
At 1 January 2017	(18,750)
Charge for the year	(21,290)
At 31 December 2017	(40,040)
Net book value:	
At 31 December 2017	204,300
At 31 December 2016	131,250

The amortisation charge for the year is included in "general and administrative expenses" in the consolidated income statement.

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Anyang Central China City Construction Company Limited*	Henan, the PRC	RMB130,000,000	–	100%	Property development	Limited liability company
Anyang Central China Real Estate Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Wholly owned foreign enterprise
Baofeng Central China Taihe City Construction Company Limited*	Henan, the PRC	RMB20,000,000	–	80%	Property development	Limited liability company
Central China Real Estate Group (Sanmenxia) Company Limited*	Henan, the PRC	RMB155,000,000	–	100%	Property development	Limited liability company
Central China Forest Peninsula (Henan) Real Estate Company Limited*	Henan, the PRC	RMB120,000,000	–	100%	Property development	Limited liability company
Central China Hotel Investments & Management (Zhengzhou) Company Limited*	Henan, the PRC	RMB171,060,000 (2016: RMB10,000,000)	–	100%	Hotel Management	Limited liability company
Central China Nanyang Hotel Company Limited*	Henan, the PRC	RMB598,120,000 (2016: RMB30,000,000)	–	100%	Hotel operation	Limited liability company
Central China Premier Service (Zhengzhou) Company Limited*	Henan, the PRC	RMB110,000,000	–	100%	Provision of financial services	Limited liability company
Central China Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB863,900,000	–	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate (Zhengzhou) Company Limited*	Henan, the PRC	RMB65,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Gold Dragon Company Limited*	Henan, the PRC	RMB190,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group (China) Company Limited*	Henan, the PRC	RMB2,360,000,000	–	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate Group (Lingbao) Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group Jiaozuo Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group Pingdingshan Company Limited*	Henan, the PRC	RMB310,200,000	–	100%	Property development	Limited liability company
Central China Real Estate He Bi Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Nanyang Company Limited*	Henan, the PRC	RMB579,590,000	–	100%	Property development	Limited liability company
Central China Real Estate Wugang Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Xinxiang Jili Company Limited*	Henan, the PRC	RMB60,000,000	–	60%	Property development	Limited liability company
Central China Triumph Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Changge Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Changyuan Central China City Development Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Gongyi New Town Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Hebi Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Hebi Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Henan CCRE Huayi Brothers Culture Tourism Industry Company Limited*	Henan, the PRC	RMB100,000,000	–	65%	Property development	Limited liability company
Henan Central China Commercial Properties Management Company Limited*	Henan, the PRC	RMB80,000,000	–	100%	Consulting property investment, leasing and management	Limited liability company
Henan Central China Construction Design Company Limited*	Henan, the PRC	RMB11,000,000	–	100%	Designing	Limited liability company
Henan Central China Construction Materials Commerce and Trading Company Limited*	Henan, the PRC	RMB50,000,000	–	80%	Commerce and trading	Limited liability company
Henan Central China Culture Travelling Property Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Henan Central China Kaipu Commercial Development Company Limited*	Henan, the PRC	RMB100,000,000	–	80%	Property development	Limited liability company
Henan Central China Real Estate Company Limited*	Henan, the PRC	RMB390,000,000	–	100%	Property development	Limited liability company
Henan Central China Real Estate Kanghui Company Limited*	Henan, the PRC	RMB100,000,000	–	60%	Property development	Limited liability company
Henan Central China Sun City Real Estate Company Limited*	Henan, the PRC	RMB120,100,000	–	100%	Property development	Limited liability company
Henan Central China Zhizun Hotel Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Hotel operation	Limited liability company
Henan Coal Chemical Central China Real Estate Development Investments Company Limited*	Henan, the PRC	RMB977,600,000	–	100%	Property development	Limited liability company
Henan Shanhao Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Henan St. Andrews Real Estate Company Limited*	Henan, the PRC	RMB8,000,000	–	60%	Property development	Limited liability company
Henan United Clubs Management Company Limited*	Henan, the PRC	RMB735,180,000 (2016: RMB15,000,000)	–	100%	Hotel operation	Limited liability company
Henan United New Town Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Henan Yuxuan Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Henan Zhenghe Real Estate Development Company Limited*	Henan, the PRC	RMB100,000,000	–	60%	Property development	Limited liability company
Henan Zhiteng Business Service Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited*	Henan, the PRC	RMB150,000,000	–	100%	Property development	Limited liability company
Huaiyang Central China Real Estate Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Huaxian Central China City Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Jiaozuo Central China Real Estate Company Limited*	Henan, the PRC	RMB35,000,000	–	100%	Property development	Wholly owned foreign enterprise
Jiyuan Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Jiyuan Central China City Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Jiyuan Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Joy Ascend Holdings Limited	The British Virgin Islands and Hong Kong	US$14,618	100%	–	Investments holding	Private company
Kaifeng Central China Enterprise Management Consultancy Company Limited*	Henan, the PRC	RMB10,000,000	–	85%	Property development	Limited liability company
Kaifeng Luda Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	51%	Property development	Limited liability company
Linying Central China City Construction Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Luohe Central China Changjian Real Estate Company Limited*	Henan, the PRC	RMB60,000,000	–	100%	Property development	Limited liability company
Luohe Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Luoyang Fengdu Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Luoyang Jianye Culture Tourism Industry Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Travel	Limited liability company
Luoyang Liye Real Estate Development Company Limited*	Henan, the PRC	RMB30,000,000	–	51%	Property development	Limited liability company
Luoyang Xianglin Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Nanyang Central China Real Estate Company Limited*	Henan, the PRC	RMB10,537,000	–	100%	Property development	Wholly owned foreign enterprise
Pingdingshan Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Pingdingshan Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities	Legal form
Pingdingshan Central China Real Estate Company Limited*	Henan, the PRC	RMB28,000,000	–	100%	Property development	Wholly owned foreign enterprise
Puyang Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Puyang Central China Real Estate Company Limited*	Henan, the PRC	RMB145,500,000	–	100%	Property development	Limited liability company
Sanmenxia Central China Real Estate Company Limited*	Henan, the PRC	RMB38,000,000	–	100%	Property development	Wholly owned foreign enterprise
Shangqiu Central China Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Wholly owned foreign enterprise
Shangqiu Jianye Huarun Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Shuiping Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Tangyin Central China City Development Company Limited*	Henan, the PRC	RMB80,000,000	–	55%	Property development	Limited liability company
Wugang Central China Zhizun Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Xinxiang Central China City Construction Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Xinxiang Central China Real Estate Company Limited*	Henan, the PRC	RMB44,900,000	–	100%	Property development	Limited liability company
Xinxiang Jinlong Central China Real Estate Company Limited*	Henan, the PRC	RMB2,000,000	–	60%	Property development	Limited liability company
Xinyang Central China Tianming Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Xiping Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Xiuwu Central China Real Estate Company Limited*	Henan, the PRC	RMB110,000,000	–	100%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited*	Henan, the PRC	RMB57,000,000	–	72% (2016: 80%)	Property development	Wholly owned foreign enterprise
Xuchang Jinyue Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	70%	Property development	Limited liability company
Xuchang One City Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Yanshi Central China City Construction Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Yanshi Yaxin Real Estate Company Limited*	Henan, the PRC	RMB50,000,000	–	60%	Property development	Limited liability company
Yongcheng Jiandong Zhiye Company Limited	Henan, the PRC	RMB100,000,000	–	90%	Property development	Limited liability company
Yuzhou New Plaza Construction & Development Company Limited*	Henan, the PRC	RMB20,000,000	–	75%	Property development	Limited liability company
Zhengzhou Ansheng Geological Cuture Development Limited*	Henan, the PRC	RMB100,000,000	–	80%	Property development	Limited liability company

Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Zhecheng Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Zhengzhou Central China Kairun Real Estate Company Limited*	Henan, the PRC	RMB50,000,000	–	85%	Property development	Limited liability company
Zhengzhou Jiandong Zhiye Company Limited*	Henan, the PRC	RMB110,000,000	–	60%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited*	Henan, the PRC	RMB652,000,000	–	100%	Property development	Limited liability company
Zhengzhou Yipin Tianxia Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Zhenzhou Central China Luyuan Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	70%	Property development	Limited liability company
Zhongya Real Estate Development (Luoyang) Company Limited*	Henan, the PRC	RMB59,692,720	–	95%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Company Limited*	Henan, the PRC	RMB37,577,000	–	100%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB256,000,000	–	100%	Property development	Limited liability company
Zhumadian Jiandong Zhiye Company Limited*	Henan, the PRC	RMB10,000,000	–	60%	Property development	Limited liability company
Anyang Cheer World Management and Consulting Services Company Limited*	Henan, the PRC	RMB100,000,000	–	55%	Consulting	Limited liability company
Beijing Lande Huifeng Real Estate Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Henan Jiaheng Properties Company Limited*	Henan, the PRC	RMB30,000,000	–	55%	Property development	Limited liability company
Zhumadian City Chuncheng Properties Company Limited*	Henan, the PRC	RMB20,400,000	–	51%	Property development	Limited liability company
Shangqiu Jinshengyuan Industrial Company Limited*	Henan, the PRC	RMB20,000,000	–	51%	Property development	Limited liability company
Shangqiu Xindu Properties Company Limited.*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Yuzhou Cheer World Construction Construction Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Xuchang Cheer World Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	92%	Property development	Limited liability company
Changge City Yicheng Real Estate Development Company Limited*	Henan, the PRC	RMB16,000,000	–	63.65%	Property development	Limited liability company
Luohe Yongtuo Properties Company Limited*	Henan, the PRC	RMB11,000,000	–	100%	Property development	Limited liability company
Henan Senyuan Central China City Construction Company Limited*	Henan, the PRC	RMB10,000,000	–	51%	Property development	Limited liability company
Shangqiu City Zhiyuan Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	51%	Property development	Limited liability company
Jiaozuo Shihefu Properties Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Jiaozuo Cheer World Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Qinyang City Cheer World Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company

* KPMG are not statutory auditors of these subsidiaries.

Note: The English names of the PRC subsidiaries referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

16 INTERESTS IN ASSOCIATES

	2017	2016
	RMB'000	RMB'000
Share of net assets	**122,746**	7,168
Amounts due from associates	**413,803**	20,000
	536,549	27,168

Amounts due from associates are unsecured, interest-free and has no fixed terms of repayment, and is expected to be recovered after more than one year.

The following list contains the Group's material associate, which is unlisted corporate entity whose quoted market price is not available:

Name of company	Place of incorporation and business	Registered capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Zhengzhou Jinrongdao Construction and Development Company Limited*	Henan, the PRC	RMB600,000,000	–	20%	Property development	Limited liability company

* KPMG is not the statutory auditor of the associate.

Note: The English name of the Group's associate in the PRC referred to above was translated by management only for the purpose of these financial statements as no English name has been registered or available.

16 INTERESTS IN ASSOCIATES (Continued)

The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Zhengzhou Jinrongdao Construction and Development Company Limited 2017 RMB'000
Gross amounts of the associate's	
Current assets	2,213,223
Non-current assets	1,239
Current liabilities	(1,620,386)
Non-current liabilities	–
Equity	594,076
Revenue	–
Loss from continuing operations	(5,925)
Post-tax profit or loss from discontinued	–
Other comprehensive income	–
Total comprehensive income	(5,925)
Dividend received from the associate	–
Reconciled to the Group's interests in the associate	
Gross amounts of net assets of the associate	594,076
Group's effective interest	20.00%
Group's share of net assets of the associate	118,815
Amount due from the associate	329,470
Carrying amount in the consolidated financial statements	448,285

16 INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

	2017 RMB'000	2016 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**88,264**	27,168
Aggregate amounts of the Group's share of those associates'		
Loss from continuing operations	**(3,237)**	(1,160)
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(3,237)**	(1,160)

17 INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Share of net assets	**3,642,625**	3,490,712
Amounts due from joint ventures	**5,383,752**	2,785,379
	9,026,377	6,276,091

Amounts due from joint ventures, except for amounts of RMB1,912,713,000 (2016: RMB1,450,042,000) which are interest bearing at 10% – 12% per annum, are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered more than one year.

As at 31 December 2017, the Group's interest in a joint venture with carrying amount of RMB53,197,000 (2016: RMBNil) was pledged against the Group's bank loan of RMB546,000,000 (2016: RMBNil) (see note 25).

(Expressed in Renminbi)

17 INTERESTS IN JOINT VENTURES (Continued)

The following list contains only the particulars of material joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Registered capital	Held by the Company	Held by a subsidiary	Principal activities	Legal form
Zhengzhou Central China Tianming Property Company Limited*	Henan, the PRC	RMB1,500,000,000	–	66.66%	Property development	Limited company
Henan Central China Union Zhiye Company Limited* *(note (a))*	Henan, the PRC	RMB960,000,000	–	– (2016: 65.63%)	Property development	Limited company
Henan Central China Hengxin Property Company Limited*	Henan, the PRC	RMB220,000,000	–	28.57%	Property development	Limited company
Henan Central China Taihong Real Estate Limited*	Henan, the PRC	RMB231,020,000	–	51.00%	Property development	Limited company
Henan Cental China Fuju Investment Company Limited*	Henan, the PRC	RMB100,000,000	–	45.00%	Property development	Limited company
Kaifeng Central China Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	60.00%	Property development	Limited company
Xinyang Tianheng Real Estate Company Limited*	Henan, the PRC	RMB48,300,000	–	50.31%	Property development	Limited company
Henan Longyu Real Estate Company Limited* *(note (a) and (b))*	Henan, the PRC	RMB77,000,000	–	60.00% (2016: 70%)	Property development	Limited company
Zhengzhou Jianye Eighteen Cities Zhiye Company Limited* *(note (d))*	Henan, the PRC	RMB200,000,000	–	50.00%	Property development	Limited company
Zhengzhou Anyong Properties Limited* *(note (c))*	Henan, the PRC	RMB20,000,000	–	80.00%	Property development	Limited company

* KPMG are not the statutory auditors of these joint ventures.

17 INTERESTS IN JOINT VENTURES (Continued)

Notes:

(a) The English names of the Group's joint ventures in the PRC referred to above are translated by management only for the purpose of these financial statements as no English names have been registered or available.

(b) On 31 March 2017, the Group entered into an equity transfer agreement with Zhongyuan Trust Company Limited ("Zhongyuan Trust") to acquire 34.375% equity interest in Henan Central China Union Zhiye Company Limited ("CCRE Union Zhiye") at the consideration of RMB330,000,000.

On 31 March 2017, the Group entered into an equity transfer agreement with Changjiang Treasure Assets Management Company Limited ("Changjiang Treasure") to acquire 30% equity interest in Henan Longyu Real Estate Company Limited ("Henan Longyu") at the consideration of RMB124,949,000.

Upon completion of the above transactions, CCRE Union Zhiye and Henan Longyu became wholly-owned subsidiaries of the Group. Details are set out in note 38(a).

(c) On 27 December 2017, the Group entered into an equity transfer agreement with Bridge Trust Company Limited ("Bridge Trust") to transfer 40% equity interest in Henan Longyu at the consideration of RMB145,000,000.

On 30 June 2017, the Group entered into the Cooperation Framework Agreement, Equity Transfer Agreement, Loan Agreement and Equity Transfer Agreement on Investment Withdrawal (together as the "Framework Agreements") with 上海中城勇逸投資中心（有限合夥）(For identification purpose only, in English, Shanghai Zhongcheng Yongyi Investment Center (Limited Partnership) ("Zhongcheng Fund") and, on 21 July 2017, the Group and Zhongcheng Fund entered into the second supplemental agreement to the Cooperation Framework Agreement, Supplemental Equity Transfer Agreement and Supplemental Loan Agreement (together as the "Supplemental Agreements") for the amendments of the terms of Framework Agreements. Pursuant to which the Group agreed to sell and Zhongcheng Fund agreed to acquire 20% equity interest in 鄭州安永置業有限公司 (For identification purpose only, in English, Zhengzhou Anyong Properties Limited ("Zhengzhou Anyong")) at the consideration of RMB150,000,000. The details are disclosed in the relevant announcements dated 3 July 2017 and 21 July 2017 issued by the Company.

Upon completion of the above transactions, neither Bridge Trust and Zhongcheng Fund nor the Group has controlling power over the board of directors pursuant to the articles of associations. Details are set out in note 38(b).

The net gain on disposals of Henan Longyu and Zhengzhou Anyong of RMB189,647,000 was recognised in profit or loss during the year (note 5).

(d) On 9 May 2017, Wuhu Yuanxiang Jiada Investment Management Centre Limited Partnership ("Wuhu Yuanxiang") invested in Zhengzhou Jianye Eighteen Cities Zhiye Company Limited ("Zhengzhou Eighteen Cities"), which was previously a wholly-owned subsidiary of the Group. After the investment by Wuhu Yuanxiang, Zhengzhou Eighteen Cities is regarded as a joint ventures as neither Wuhu Yuanxiang nor the Group has controlling power over the board of directors pursuant to the articles of association. Details are set out in note 38(c).

The net gain on deemed disposals of Zhengzhou Eighteen Cities of RMB280,000 was recognised in profit or loss during the year (note 5).

The above joint ventures strengthen the Group's property development business in Henan, the PRC.

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

17 INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	Zhengzhou Central China Tianming Property Company Limited		CCRE Union Zhiye		Henan Central China Hengxin Property Company Limited		Henan Central China Taihong Real Estate Limited		Henan Cental China Fuju Investment Company Limited		Kaifeng Central China Real Estate Company Limited		Xinyang Tianheng Real Estate Company Limited		Henan Longyu		Zhengzhou Eighteen Cities	Zhengzhou Anyong
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000
Gross amounts of joint ventures																		
Current assets	4,901,836	4,339,002	-	1,439,480	5,024,892	3,908,970	4,862,009	4,272,779	9,879,503	8,665,833	1,529,825	1,334,733	632,227	623,170	1,983,035	2,728,524	2,725,422	1,242,240
Non-current assets	18,191	79,741	-	4,308	84,980	77,521	22,506	23,795	166,846	14,981	176,051	121,587	1,923	981	1,898	48,182	58	7,874
Current liabilities	(2,959,590)	(2,129,929)	-	(186,992)	(2,526,196)	(2,132,259)	(4,135,416)	(2,804,523)	(7,754,349)	(6,370,814)	(425,633)	(186,148)	(574,131)	(559,957)	(743,046)	(1,138,523)	(1,274,431)	(724,827)
Non-current liabilities	-	(360,000)	-	(269,800)	(1,970,000)	(1,400,000)	(476,300)	(1,250,000)	(2,292,000)	(2,310,000)	-	-	-	-	(878,500)	(1,148,000)	(1,265,898)	-
Equity	1,960,437	1,928,814	-	986,996	613,676	454,232	272,799	242,051	-	-	1,280,243	1,270,172	60,019	64,194	363,387	490,183	185,151	525,287
Included in the above assets and liabilities:																		
Cash and cash equivalents	20,234	421,842	-	146,682	46,848	181,895	229,964	391,556	447,940	862,886	3,092	18,564	3,770	3,134	11,267	229,053	4,241	12,675
Current financial liabilities (excluding trade and other payables and provisions)	(730,000)	-	-	-	-	-	(530,000)	(185,900)	-	-	-	-	-	-	(8,940)	-	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	-	(360,000)	-	(269,800)	(950,000)	(1,400,000)	(476,300)	(1,250,000)	(2,292,000)	(2,310,000)	-	-	-	-	(878,500)	(1,148,000)	(1,265,898)	-
Revenue	2,054,578	783,807	8,254	194,967	1,868,095	-	460,781	614,376	-	-	125,550	60,962	-	-	-	39,106	-	-
Profit/(loss) from continuing operations	35,198	108,655	463	1,330	163,329	16,147	120,749	104,794	-	(52,164)	10,487	5,381	(4,175)	(1,998)	(34,514)	10,367	(2,646)	(3,596)
Total comprehensive income	35,198	108,655	463	1,330	163,329	-	120,749	104,794	-	(52,164)	10,487	5,381	(4,175)	(1,998)	(34,514)	10,367	(2,646)	(3,596)
Dividend received from the joint ventures	-	66,670	-	-	-	-	45,900	51,000	-	-	-	-	-	-	-	6,300	-	-
Included in the above profit/(loss):																		
Depreciation and amortisation	(124)	(121)	-	(144)	(177)	(171)	(1,644)	(1,517)	(230)	(467)	(2,692)	(647)	(39)	-	(60)	(144)	-	-
Interest income	3,787	1,701	-	213	1,704	1,190	18,069	2,679	4,766	2,024	78	141	4	6	1,510	1,612	85	-
Interest expense	-	-	-	(17,716)	-	-	-	-	-	-	-	(2,707)	-	-	-	-	-	-
Income tax expense	(182,434)	(110,515)	(154)	(846)	(69,176)	(6,519)	(49,736)	(76,875)	-	-	22,606	(1,881)	927	-	-	(25,632)	-	-
Reconciled to the Group's interests in joint ventures																		
Gross amounts of net assets of the joint ventures	1,960,437	1,928,814	-	986,996	613,676	454,232	272,799	242,051	-	-	1,280,243	1,270,172	60,019	64,194	363,387	490,183	185,151	525,287
Group's effective interest	66.66%	66.66%	0.00%	65.63%	28.57%	28.57%	51.00%	51.00%	45.00%	45.00%	60.00%	60.00%	50.31%	50.31%	60.00%	70.00%	50.00%	80.00%
Group's share of net assets of the joint ventures	1,306,827	1,285,876	-	647,716	175,327	129,781	139,127	123,446	-	-	768,146	762,103	30,196	32,296	218,032	343,128	92,576	420,230
Amount due from joint ventures	23,503	31,030	-	4,563	15,664	4,840	-	336	2,329,824	2,319,324	222,733	47,392	310,831	300,408	15,375	14,414	1,273,909	474,028
Carrying amount in the consolidated financial statements	1,330,330	1,316,906	-	652,279	190,991	134,621	139,127	123,782	2,329,824	2,319,324	990,879	809,495	341,027	332,704	233,407	357,542	1,366,485	894,258

17 INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material:

	2017 **RMB'000**	2016 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**1,210,049**	587,316
Aggregate amounts of the Group's share of those joint ventures'		
Profit/(loss) from continuing operations	**91,099**	(4,822)
Total comprehensive income	**91,099**	(4,822)

18 OTHER FINANCIAL ASSETS

	2017 **RMB'000**	2016 RMB'000
Unlisted equity securities, at cost – in the PRC	**486,366**	190,080

The unlisted equity securities of the Group do not have quoted market price in active market and were stated at cost at 31 December 2017 and 2016.

19 TRADING SECURITIES

	2017 **RMB'000**	2016 RMB'000
Listed equity securities at fair value – in Hong Kong	**97,105**	105,868

20 PROPERTIES FOR SALE

	2017 RMB'000	2016 RMB'000
Properties held for future development and under development for sale	**19,785,224**	11,924,548
Completed properties held for sale	**4,555,990**	6,101,981
	24,341,214	18,026,529

At 31 December 2017, properties for sale of RMB24,341,214,000 (2016: RMB18,026,529,000) are net of a provision of RMB149,085,000 (2016: RMB87,483,000) in order to state these properties at the lower of their cost and estimate net realisable value.

(a) The analysis of carrying value of leasehold land held for property development for sale is as follows:

	2017 RMB'000	2016 RMB'000
In the PRC		
– long leases	**11,370,264**	5,531,470
– medium-term leases	**2,535,776**	1,404,179
	13,906,040	6,935,649

(b) The amount of properties for sale expected to be recovered after more than one year is analysed as follows:

	2017 RMB'000	2016 RMB'000
Properties held for future development and under development for sale	**14,700,271**	8,715,359

(c) Certain of the Group's properties for sale was pledged as securities for the Group's bank loan. Details are set out in note 25.

At 31 December 2017, the Group's properties for sale of RMBNil (2016: RMB306,273,000) were pledged as securities for a joint venture's other loan.

20 PROPERTIES FOR SALE (Continued)

(d) The Group temporarily leased out certain completed properties held for sale under operating leases. The lease runs for an initial period of one to five years. The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**119,230**	108,511
After 1 year to 5 years	**166,246**	236,164
After 5 years	**333,414**	422,389
	618,890	767,064

The directors confirm that the Group intends to sell the properties together with the respective leases.

(e) The analysis of the amount of properties for sale recognised as an expense and included in profit or loss is as follows:

	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold	**10,385,586**	7,023,920
Write down of inventories	**64,766**	26,271
Reversal of write-down of inventories	**–**	(4,579)
	10,450,352	7,045,612

21 TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Bills receivables *(note (a))*	**2,900**	6,794
Trade receivables *(note (a))*	**79,454**	42,926
Other receivables	**898,013**	470,885
Amounts due from related companies *(note (b))*	**35,501**	106,684
Amounts due from non-controlling interests *(note (c))*	**590,619**	184,548
Derivative financial instruments *(notes 29(a), (b), (d) and (f))*	**43,849**	61,691
Others	**14,085**	14,085
	1,664,421	887,613

21 TRADE AND OTHER RECEIVABLES (Continued)

(a) The ageing analysis of bills and trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and all of which are neither individually nor collectively considered to be impaired, is as follows:

	2017 **RMB'000**	2016 RMB'000
Within 1 month	**32,853**	19,707
1 to 3 months	**2,593**	1,727
3 to 6 months	**6,199**	3,650
6 to 12 months	**24,131**	16,733
Over 1 year	**16,578**	7,903
	82,354	49,720

The Group's credit policy is set out in note 34(b).

Based on assessment, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) The amounts due from a related company of RMB35,486,000 (2016: Nil) represents the prepaid expected basic return to the trust manager of joint ventures, Ping'an Trust Company Limited, according to the cooperation agreements. The amount is unsecured, interest-free and has no fixed terms of repayment.

The remaining amounts due from related companies are unsecured, and have no fixed terms of repayment.

(c) The amounts due from non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

22 DEPOSITS AND PREPAYMENTS

At 31 December 2017, the balance included deposits and prepayments for leasehold land of RMB3,829,342,000 (2016: RMB2,220,145,000).

23 RESTRICTED BANK DEPOSITS

	2017 RMB'000	2016 RMB'000
Guarantee deposits in respect of:		
– mortgage loans related to property sale	**1,634,073**	958,348
– bills payable	**490,989**	440,447
– Bank loans *(note 25(b))*	**–**	6,026
	2,125,062	1,404,821

24 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans RMB'000 *Note 25*	Other loans RMB'000 *Note 26*	Senior notes RMB'000 *Note 29*	Corporate bonds RMB'000 *Note 30*	Options embedded in senior notes RMB'000 *Note 21*	Foreign exchange swap contracts RMB'000 *Note 21 and 27*	Held as cash flow hedging instrument RMB'000 *Note 27*	Other accruals RMB'000	Total RMB'000
At 1 January 2017	2,365,440	390,000	8,622,486	2,978,128	(34,617)	(27,074)	159,394	383,959	14,837,716
Changes from financing cash flows:									
Proceeds from new bank loans	2,791,858	–	–	–	–	–	–	–	2,791,858
Repayment of bank loans	(1,212,674)	–	–	–	–	–	–	–	(1,212,674)
Repayment of other loans	–	(90,000)	–	–	–	–	–	–	(90,000)
Proceeds from new senior notes	–	–	1,330,129	–	–	–	–	–	1,330,129
Repayment of redemption upon maturity senior notes	–	–	(1,098,655)	–	–	–	–	–	(1,098,655)
Interest paid	(133,792)	(39,355)	(875,168)	(180,001)	–	–	–	–	(1,228,316)
Total changes from financing cash flows	1,445,392	(129,355)	(643,694)	(180,001)	–	–	–	–	492,342
Exchange adjustments	(46,807)	–	(463,268)	–	3,010	(2,310)	–	–	(509,375)
Changes in fair value	–	–	–	–	(12,242)	108,549	–	–	96,307
Other changes:									
Interest expenses *(note 6(a))*	49,431	25,035	316,318	23,637	–	–	(159,394)	56,717	311,744
Capitalised borrowing costs *(note 6(a))*	88,762	14,320	577,811	165,150	–	–	–	–	846,043
Acquisition of subsidiaries *(note 38(a))*	1,022,800	–	–	–	–	–	–	–	1,022,800
Disposal of subsidiaries *(note 38(b))*	(1,037,440)	–	–	–	–	–	–	–	(1,037,440)
Total other changes	123,553	39,355	894,129	188,787	–	–	(159,394)	56,717	1,143,147
At 31 December 2017	3,887,578	300,000	8,409,653	2,986,914	(43,849)	79,165	–	440,676	16,060,137

25 BANK LOANS

(a) At 31 December 2017, the bank loans were repayable as follows:

	2017 **RMB'000**	2016 RMB'000
Within 1 year or on demand	**450,118**	514,265
After 1 year but within 2 years	**986,674**	393,695
After 2 years but within 5 years	**1,785,876**	683,985
After 5 years	**664,910**	773,495
	3,437,460	1,851,175
	3,887,578	2,365,440

(b) At 31 December 2017, the bank loans were secured as follows:

	2017 **RMB'000**	2016 RMB'000
Bank loans		
– secured	**2,003,125**	1,650,440
– unsecured	**1,884,453**	715,000
	3,887,578	2,365,440

At 31 December 2017, the secured bank loans are secured over share of interest in a subsidiary of the Group and other assets as follows:

	2017 **RMB'000**	2016 RMB'000
Properties for sale	**721,365**	2,271,039
Property, plant and equipment	**792,220**	831,650
Restricted bank deposits *(note 23)*	**–**	6,026
Interest in a joint venture	**53,197**	–
	1,566,782	3,108,715

25 BANK LOANS (Continued)

(c) The effective interest rates of bank loans of the Group at 31 December 2017 were ranged from 4.35% – 6.50% (2016: 4.35% – 7.34%) per annum.

(d) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 34(c). At 31 December 2017 and 2016, none of the covenants relating to drawn down facilities had been breached.

26 OTHER LOANS

(a) At 31 December 2017, other loans were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**90,000**	90,000
After 1 year but within 2 years	**90,000**	90,000
After 2 years but within 5 years	**90,000**	180,000
After 5 years	**30,000**	30,000
	210,000	300,000
	300,000	390,000

(b) At 31 December 2017, the other loans were unsecured (2016: unsecured) as follows:

	2017 RMB'000	2016 RMB'000
Other loans		
– secured	**–**	–
– unsecured	**300,000**	390,000
	300,000	390,000

(c) The effective interest rates of other loans of the Group at 31 December 2017 were ranged from 1.2% – 7% (2016: 1.2% – 7%) per annum.

27 PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Bills payable *(note (a))*	**1,939,729**	334,633
Trade payables *(note (a))*	**6,511,237**	5,004,184
Other payables and accruals	**3,292,389**	2,453,910
Patent payable	**35,000**	45,000
Amounts due to joint ventures *(note (b))*	**9,345,717**	6,642,758
Amounts due to non-controlling interests *(note (c))*	**830,852**	202,161
Derivative financial instruments		
– held as cash flow hedging instrument	**–**	159,394
– foreign exchange swap contracts *(note 29(e))*	**79,165**	–
	22,034,089	14,842,040

At 31 December 2017, included in payables and accruals are retention payable of RMB47,993,000 (2016: RMB35,760,000) which are expected to be settled more than one year.

Notes:

(a) As of the end of the reporting period, the ageing analysis of bills and trade payables based on the invoice date is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 month	**1,817,736**	2,090,689
1 – 3 months	**1,711,165**	789,930
3 – 6 months	**2,281,060**	760,841
6 – 12 months	**1,035,045**	416,262
Over 12 months	**1,605,960**	1,281,095
	8,450,966	5,338,817

(b) The amounts due to joint ventures are unsecured, interest-free and have no fixed terms of repayment.

(c) The amounts due to non-controlling interest included amounts of RMB105,000,000 (2016: RMB76,634,000) which are unsecured, interest bearing at 10% (2016: 4.35%) per annum and have no fixed terms of repayment.

The remaining amounts due to non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

28 RECEIPTS IN ADVANCE

Receipts in advance mainly represent sale proceeds in connection with pre-sale of properties.

29 SENIOR NOTES

Liability component of the Senior Notes:

	2017 RMB'000	2016 RMB'000
US$200m Senior Notes *(note (a))*	**1,295,951**	1,396,432
US$400m Senior Notes *(note (b))*	**2,596,209**	2,795,026
SGD200m Senior Notes *(note (c))*	**–**	960,216
US$300m Senior Notes *(note (d))*	**1,937,635**	2,087,429
US$200m Senior Notes due in 2021 *(note (e))*	**1,285,374**	1,383,383
US$200m Senior Notes due in 2018 *(note (f))*	**1,294,484**	–
	8,409,653	8,622,486
Less: amount due for maturity within 12 months (classified as current liabilities)	**(3,890,692)**	(960,216)
	4,518,961	7,662,270

(a) On 21 January 2013, the Company issued senior notes with principal amount of US$200,000,000 due in 2020 ("US$200m Senior Notes"). The senior notes are interest bearing at 8% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 28 January 2020. At any time and from time to time on or after 28 January 2017, the Company may at its option redeem the senior notes, in whole or in part, at a pre-determined redemption price. In addition, at any time prior to 28 January 2017, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(a) (Continued)

The movements of US$200m Senior Notes are set out below:

	Liability component of the senior notes	Redemption call option	Total
	(Note 29(a)(i))	*(Notes 21 and 29(a)(ii))*	
	RMB'000	RMB'000	RMB'000
At 1 January 2016	1,252,269	(3,208)	1,249,061
Interest and transaction costs amortised	1,357	–	1,357
Change in fair value *(note 6(a))*	–	(15,380)	(15,380)
Exchange difference	142,806	(823)	141,983
At 31 December 2016	1,396,432	(19,411)	1,377,021
At 1 January 2017	**1,396,432**	**(19,411)**	**1,377,021**
Interest and transaction costs amortised	**1,457**	**–**	**1,457**
Change in fair value *(note 6(a))*	**–**	**(6,155)**	**(6,155)**
Exchange difference	**(101,938)**	**1,659**	**(100,279)**
At 31 December 2017	**1,295,951**	**(23,907)**	**1,272,044**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 8.13% per annum.

(ii) Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

The assumptions applied in determining the fair value of the redemption call option at 31 December 2017 are set out as follows:

Credit spread	5.8% (2016: 5.7%)

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(b) On 22 May 2013, the Company issued senior notes with principal amount of US$400,000,000 due in 2018 ("US$400m Senior Notes"). The senior notes are interest bearing at 6.5% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 4 June 2018. At any time and from time to time on or after 4 June 2016, the Company may at its option redeem the senior notes, in whole or in part, at a predetermined redemption price. In addition, at any time prior to 4 June 2016, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

The movements of US$400m Senior Notes are set out below:

	Liability component of the senior notes	**Redemption call option**	**Total**
	(Note 29(b)(i))	*(Notes 21 and 29(b)(ii))*	
	RMB'000	RMB'000	RMB'000
At 1 January 2016	2,504,350	(2,265)	2,502,085
Interest and transaction cost amortised	5,016	–	5,016
Change in fair value *(note 6(a))*	–	(340)	(340)
Exchange difference	285,660	(268)	285,392
At 31 December 2016	2,795,026	(2,873)	2,792,153
At 1 January 2017	**2,795,026**	**(2,873)**	**2,792,153**
Interest and transaction cost amortised	**5,310**	**–**	**5,310**
Change in fair value *(note 6(a))*	**–**	**2,638**	**2,638**
Exchange difference	**(204,127)**	**105**	**(204,022)**
At 31 December 2017	**2,596,209**	**(130)**	**2,596,079**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 6.71% per annum.

(Expressed in Renminbi)

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(b) (Continued)

(ii) Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

The assumptions applied in determining the fair value of the redemption call option at 31 December 2017 are set out as follows:

Credit spread	4.9% (2016: 5.2%)

(c) On 15 May 2014, the Company issued senior notes with principal amount of SGD200,000,000 due in 2017 ("SGD200m Senior Notes"). The senior notes are interest bearing at 6.5% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 26 May 2017. At any time prior to 26 May 2017, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of the SGD200m Senior Notes by swapping the senior notes principal of SGD200 million into US$160 million. The aggregate notional principal amounts of the foreign exchange rate swap contract is SGD200 million and the contract matured on 26 May 2017. The foreign exchange rate swap contract is accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy. On 26 May 2017, the foreign exchange rate swap contract was teminated and the loss of RMB74,225,000 is recorded under "Finance costs" (note 6 (a)).

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(c) (Continued)

The movements of SGD200m Senior Notes are set out below:

	Liability component of the senior notes *(Note 29(c)(i))* RMB'000
At 1 January 2016	886,916
Interest and transaction costs amortised	5,903
Exchange difference	67,397
At 31 December 2016	960,216
At 1 January 2017	**960,216**
Interest and transaction costs amortised	**2,489**
Exchange difference	**135,950**
Redemption of senior notes	**(1,098,655)**
At 31 December 2017	**–**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 7.16% per annum.

On 26 May 2017, the Company redeemed all outstanding SGD200m Senior Notes upon maturity with principal amount of SGD200,000,000 at the predetermined redemption price.

(d) On 23 April 2015, the Company issued senior notes with principal amount of US$300,000,000 due in 2021 ("US$300m Senior Notes"). The senior notes are interest bearing at 8.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 January 2021. At any time and from time to time on or after 23 January 2019, the Company may at its option redeem the senior notes, in whole or in part, at a pre-determined redemption price. In addition, at any time prior to 23 January 2019, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(d) (Continued)

The movements of US$300m Senior Notes are set out below:

	Liability component of the senior notes	**Redemption call option**	**Total**
	(Note 29(d)(i))	*(Notes 21 and 29(d)(ii))*	
	RMB'000	RMB'000	RMB'000
At 1 January 2016	1,871,996	(5,032)	1,866,964
Interest and transaction cost amortised	1,956	–	1,956
Change in fair value *(note 6(a))*	–	(6,533)	(6,533)
Exchange difference	213,477	(768)	212,709
At 31 December 2016	2,087,429	(12,333)	2,075,096
At 1 January 2017	**2,087,429**	**(12,333)**	**2,075,096**
Interest and transaction cost amortised	**2,603**	**–**	**2,603**
Change in fair value *(note 6(a))*	**–**	**(8,522)**	**(8,522)**
Exchange difference	**(152,397)**	**1,237**	**(151,160)**
At 31 December 2017	**1,937,635**	**(19,618)**	**1,918,017**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 8.91% per annum.

(ii) Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

The assumptions applied in determining the fair value of the redemption call option at 31 December 2017 are set out as follows:

Credit spread	5.7% (2016: 6.1%)

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(e) On 8 November 2016, the Company issued senior notes with principal amount of US$200,000,000 due in 2021 ("US$200m Senior Notes due in 2021"). The senior notes are interest bearing at 6.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 8 November 2021. At any time prior to 8 November 2021, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of the US$200m Senior Notes due in 2021 by swapping the senior notes principal of US$200,000,000 into RMB1,385,600,000. The aggregate notional principal amounts of the foreign exchange rate swap contract is US$200 million and the contract will mature on 8 November 2021. The foreign exchange rate swap contract is accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy. As at 31 December 2017, the fair value of the foreign exchange rate swap contract (liability) amounted to RMB79,165,000 (2016: (asset) RMB27,074,000) (note 27) (2016: note 21) is measured based on market price quoted by brokers and the fair value change loss of RMB108,549,000 (2016: (gain) RMB26,292,000) is recorded under "Finance cost" (note 6(a)).

The movements of US$200m Senior Notes due in 2021 are set out below:

	Liability component of the senior notes *(Note 29(e)(i))* RMB'000
Proceeds from issuance senior notes	1,377,970
Transaction costs	(18,307)
Net proceeds	1,359,663
Interest and transaction costs amortised	496
Exchange difference	23,224
At 31 December 2016	1,383,383
At 1 January 2017	**1,383,383**
Interest and transaction costs amortised	**3,039**
Exchange difference	**(101,048)**
At 31 December 2017	**1,285,374**

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(e) (Continued)

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 7.06% per annum.

(f) On 18 July 2017, the Company issued senior notes with principal amount of US$200,000,000 due in 2018 ("US$200m Senior Notes due in 2018"). The senior notes are interest bearing at 6% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 16 July 2018. At any time within the 30 days period commencing on 18 January 2018 and for one time only, the Company may at its option redeem the senior notes, in whole or in part, at a pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

The movements of US$200m Senior Notes due in 2018 are set out below:

	Liability component of the senior notes	**Redemption call option**	**Total**
	(Note 29(f)(i))	*(Notes 21 and 29(f)(ii))*	
	RMB'000	RMB'000	RMB'000
Proceeds from issuance senior notes	1,339,056	(812)	1,338,244
Transaction costs	(8,927)	–	(8,927)
Net proceeds	1,330,129	(812)	1,329,317
Interest and transaction cost amortised	4,064	–	4,064
Change in fair value *(note 6(a))*	–	609	609
Exchange difference	(39,709)	9	(39,700)
At 31 December 2017	1,294,484	(194)	1,294,290

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(f) (Continued)

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 6.70% per annum.

(ii) Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

The assumptions applied in determining the fair value of the redemption call option at 31 December 2017 are set out as follows:

Credit spread	5.2%

30 CORPORATE BONDS

	2017 RMB'000	2016 RMB'000
At 1 January	**2,978,128**	–
Proceeds from issuance corporate bonds	**–**	3,000,000
Transaction costs	**–**	(27,910)
Net proceeds	**–**	2,972,090
Interest and transaction costs amortised	**8,786**	6,038
At 31 December	**2,986,914**	2,978,128

On 15 March 2016, China Securities Regulatory Commission approved the application of Central China Real Estate Group (China) Company Limited ("CCRE China"), a company established in the PRC and a wholly-owned subsidiary of the Company, for a proposed issue of corporate bonds of up to RMB3,000,000,000 ("Corporate Bonds").

On 13 April 2016, CCRE China issued Corporate Bonds with principal amount of RMB3,000,000,000 due in 2021 listed on the Shanghai Stock Exchange. The coupon rate of the Corporate Bonds was fixed at 6% per annum which is payable annually in arrears. The maturity date of the Corporate Bonds is 12 April 2021.

At the end of third year, CCRE China may at its option adjust the coupon rate of the Corporate Bonds and the holders of the Corporate Bonds may at their options redeem the Corporate Bonds, in whole or in part, at a pre-determined price.

The details of Corporate Bonds are disclosed in the relevant offering memorandum.

31 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle three of the Company's directors and seven employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK$1.9 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

On 28 June 2011, upon the rights issue of the Company, the exercise price of the share options granted on 25 May 2010 was adjusted to HK$1.853 and the number of outstanding share options was adjusted from 20,000,000 to 20,504,000.

(b) Share options granted on 25 July 2011

On 25 July 2011, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle six employees of the Group to subscribe for an aggregate of 12,500,000 shares of the Company. The exercise price is HK$2.16 per share. The share option scheme was effective from 25 July 2011. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(c) Share options granted on 27 March 2013

On 27 March 2013, the Company conditionally granted certain share options to the Company's director and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregated of 24,000,000 shares of the Company. The exercise price is HK$2.56 per share. The share option scheme was effective from 27 March 2013. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(d) Share options granted on 23 May 2017

On 23 May 2017, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 95,000,000 shares of the Company. The exercise price is HK$1.764 per share. The share option scheme was effective from 23 May 2017. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(Expressed in Renminbi)

31 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(d) Share options granted on 23 May 2017 (Continued)

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumption

Fair value at measurement date	HK$0.522
Share price	HK$1.750
Exercise price	HK$1.764
Expected volatility	46%
Option life	10 years
Expected dividends	7%
Risk-free interest rate	1.36%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(e) The number and the weighted average exercise price of share options are as follows:

	2017		2016	
	Weighted average exercise price HK$	**Number of options**	Weighted average exercise price HK$	Number of options
Outstanding at 1 January	**2.33**	**31,217,720**	2.35	34,967,720
Issued during the year	**1.76**	**95,000,000**	–	–
Exercised during the year	**2.12**	**(6,991,800)**	–	–
Lapsed during the year	**1.76**	**(3,000,000)**	2.56	(3,750,000)
Outstanding at 31 December	**1.89**	**116,225,920**	2.33	31,217,720
Exercisable at 31 December	**2.39**	**24,225,920**	2.33	31,217,720

The options outstanding at 31 December 2017 had a weighted average exercise price of HK$1.89 (2016: HK$2.33) and a weighted average remaining contractual life of 8.38 years (2016: 5.29 years).

32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	CIT RMB'000	LAT RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2016	137,192	374,208	290,876	802,276
Charged to the consolidated income statement *(note 7(a))*	373,535	225,381	7,092	606,008
Acquisitions of subsidiaries *(note 38(d))*	(7,172)	(4,137)	–	(11,309)
Disposals of subsidiaries *(note 38(e))*	(1,427)	–	–	(1,427)
Deemed disposals of subsidiaries *(note 38(f))*	6,561	(14,086)	–	(7,525)
Tax paid	(417,414)	(369,069)	(60,025)	(846,508)
At 31 December 2016	91,275	212,297	237,943	541,515
At 1 January 2017	**91,275**	**212,297**	**237,943**	**541,515**
Charged to the consolidated income statement *(note 7(a))*	**554,960**	**372,413**	**–**	**927,373**
Acquisitions of subsidiaries *(note 38(a))*	**(34,212)**	**(9,404)**	**–**	**(43,616)**
Disposals of subsidiaries *(note 38(b))*	**10,975**	**(49,551)**	**–**	**(38,576)**
Tax paid	**(785,563)**	**(500,087)**	**(960)**	**(1,286,610)**
At 31 December 2017	**(162,565)**	**25,668**	**236,983**	**100,086**

	2017 RMB'000	2016 RMB'000
Representing:		
Taxation payable	**1,116,940**	1,151,686
Tax recoverable	**(1,016,854)**	(610,171)
	100,086	541,515

32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of properties RMB'000	LAT RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	(55,865)	128,558	(14,104)	58,589
Credited/(charged) to the consolidated income statement *(note 7(a))*	(6,474)	(1,097)	(9,812)	(17,383)
At 31 December 2016	(62,339)	127,461	(23,916)	41,206
At 1 January 2017	**(62,339)**	**127,461**	**(23,916)**	**41,206**
Credited/(charged) to the consolidated income statement *(note 7(a))*	**(60,518)**	**(26,719)**	**(26,174)**	**(113,411)**
At 31 December 2017	**(122,857)**	**100,742**	**(50,090)**	**(72,205)**

	2017 RMB'000	2016 RMB'000
Representing:		
Deferred tax assets	**100,742**	127,461
Deferred tax liabilities	**(172,947)**	(86,255)
	(72,205)	41,206

32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB1,139,482,000 (2016: RMB778,094,000) at 31 December 2017, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within five years.

(d) Deferred tax liabilities not recognised:

As at 31 December 2017, taxable temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounted to RMB5,520,889,000 (2016: RMB4,099,018,000). No deferred tax liability was recognised in respect of these taxable temporary differences as the Company controls the dividend policy of these subsidiaries and has no plan to either distribute profit or dispose of these PRC subsidiaries in the foreseeable future.

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

(i) Authorised and issued share capital

	2017		2016	
	No. of shares '000	**Amount HK$'000**	No. of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**2,442,271**	**244,227**	2,442,271	244,227
Issue of shares under share option scheme	**6,992**	**699**	–	–
At 31 December	**2,449,263**	**244,926**	2,442,271	244,227
RMB'000 equivalent at 31 December		**216,916**		216,322

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisition of additional interests in subsidiaries from non-controlling interests and the carrying amount of such interest and the difference between the nominal value of shares of the subsidiaries and the nominal value of the shares issued by the Group in exchange thereafter.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(w).

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option schemes as set out in note 31.

(vi) Property revaluation reserve

In 2012, the property, plant and equipment with a carrying amount of RMB14,800,000 was transferred to investment properties. The difference between the carrying amount of RMB14,800,000 and the net book value of RMB8,321,000 was recognised directly in equity as property revaluation reserve.

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(vii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments use in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(g).

(viii) Distributability of reserves

At 31 December 2017, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2017 was RMB280,642,000 (2016: RMB1,151,246,000). After the end of the reporting period, the directors proposed a final dividend of HK$12.29 cents, equivalent to RMB9.93 cents (2016: HK$Nil) per ordinary share, amounting to RMB243,212,000. This dividend has not been recognised as a liability at the end of the reporting period.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC subsidiaries to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(ix) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share capital *(Note 33(a))* RMB'000	Share premium *(Note 33(b)(i))* RMB'000	Exchange reserve *(Note 33(b)(iv))* RMB'000	Share-based compensation reserve *(Note 33(b)(v))* RMB'000	Hedging reserve *(Note 33(b)(vii))* RMB'000	Retained profits/ accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2017	216,322	1,666,254	70,925	17,116	(41,156)	(515,008)	1,414,453
Changes in equity for 2017:							
Loss for the year	–	–	–	–	–	(885,071)	(885,071)
Other comprehensive income							
– Exchange difference on translation of financial statements	–	–	(54,252)	–	–	–	(54,252)
– Cash flow hedge:							
– Effective position of changes in fair value	–	–	–	–	(33,069)	–	(33,069)
– Transfer from equity to profit or loss	–	–	–	–	74,225	–	74,225
Total comprehensive income	–	–	(54,252)	–	41,156	(885,071)	(898,167)
Issue of new shares under share option scheme	594	14,467	–	(2,444)	–	–	12,617
Equity settled share-based payment *(note 6(b))*	–	–	–	12,258	–	–	12,258
	594	14,467	–	9,814	–	–	24,875
Balance at 31 December 2017	216,916	1,680,721	16,673	26,930	–	(1,400,079)	541,161

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(ix) Movements in components of equity (Continued)

Company (Continued)

	Share capital *(Note 33(a))* RMB'000	Share premium *(Note 33(b)(i))* RMB'000	Exchange reserve *(Note 33(b)(iv))* RMB'000	Share-based compensation reserve *(Note 33(b)(v))* RMB'000	Hedging reserve *(Note 33(b)(vii))* RMB'000	Retained profits/ accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016	216,322	1,666,254	(111,950)	19,067	(54,585)	269,826	2,004,934
Changes in equity for 2016:							
Loss for the year	–	–	–	–	–	(546,927)	(546,927)
Other comprehensive income							
– Exchange difference on translation of financial statements	–	–	182,875	–	–	–	182,875
– Cash flow hedge:							
– Effective position of changes in fair value	–	–	–	–	(18,276)	–	(18,276)
– Transfer from equity to profit or loss	–	–	–	–	31,705	–	31,705
Total comprehensive income	–	–	182,875	–	13,429	(546,927)	(350,623)
Final dividends approved in respect of the previous year *(note 33(c)(ii))*	–	–	–	–	–	(240,295)	(240,295)
Equity settled share-based payment *(note 6(b))*	–	–	–	(1,951)	–	2,388	437
	–	–	–	(1,951)	–	(237,907)	(239,858)
Balance at 31 December 2016	216,322	1,666,254	70,925	17,116	(41,156)	(515,008)	1,414,453

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2017 **RMB'000**	2016 RMB'000
Final dividend proposed after the end of the reporting period of HK$12.29 cents (equivalent to RMB9.93 cents) (2016: HK$Nil) per ordinary share	**243,212**	–

No interim dividend was declared and paid during the year.

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017 **RMB'000**	2016 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$Nil (2016: HK$11.61 cents (equivalent to RMB9.84 cents) per ordinary share)	**–**	240,295

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Capital management (Continued)

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Group. Net debt is calculated as total bank and other loans, senior notes and corporate bonds less cash and cash equivalents and restricted bank deposits secured against bank loans and other loans.

The gearing ratio at 31 December 2017 and 2016 was as follows:

	2017 RMB'000	2016 RMB'000
Current liabilities		
– Bank loans	**450,118**	514,265
– Other loans	**90,000**	90,000
– Senior notes	**3,890,692**	960,216
	4,430,810	1,564,481
Non-current liabilities		
– Bank loans	**3,437,460**	1,851,175
– Other loans	**210,000**	300,000
– Senior notes	**4,518,961**	7,662,270
– Corporate Bonds	**2,986,914**	2,978,128
	11,153,335	12,791,573
Total debt	**15,584,145**	14,356,054
Less:		
– Cash and cash equivalents	**(11,283,853)**	(9,776,310)
– Restricted bank deposits secured against bank loans and other loans	**–**	(6,026)
Net debt	**4,300,292**	4,573,718
Total equity	**8,473,169**	6,997,326
Gearing ratio	**50.8%**	65.4%

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business.

The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from restricted bank deposits, cash and cash equivalents, bank loans and other loans. The Group does not carry out any hedging activities to manage its interest rate exposure.

At 31 December 2017, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's profit and total equity by approximately RMB89,331,000 (2016: RMB67,808,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2016.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, restricted bank deposits and cash and cash equivalents. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of trade receivables of mortgage sales, no credit terms will be granted to the buyers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such buyers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

If there is default in payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Credit risk (Continued)

In respect of other receivables, the Group assesses the financial abilities of the debtors before granting the facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. In respect of trade receivables arising from other sales and other receivables, the Group assesses the financial abilities of the purchasers/debtors before granting the instalment sales/facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. The Group would not apply individual property ownership certificates for the property buyers until the outstanding balances are fully settled. Other than that, normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

Restricted bank deposits and cash and cash equivalents are deposited with financial institutions with sound credit ratings to minimise credit exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. There is no significant concentration of credit risk within the Group.

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk (Continued)

	2017					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	527,937	1,091,567	2,001,861	827,952	4,449,317	3,887,578
Other loans	96,300	96,300	108,900	33,284	334,784	300,000
Senior notes	4,372,755	361,229	4,898,081	–	9,632,065	8,409,653
Corporate bonds	179,507	3,049,808	–	–	3,229,315	2,986,914
Payables and accruals	20,919,769	106,295	–	–	21,026,064	20,824,820
	26,096,268	4,705,199	7,008,842	861,236	38,671,545	36,408,965
Financial guarantees issued:						
– Maximum amount guaranteed *(note 36)*	30,503,098	–	–	–	30,503,098	–

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk (Continued)

	2016					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	542,372	415,919	796,671	923,060	2,678,022	2,365,440
Other loans	96,300	96,300	217,800	33,284	443,684	390,000
Senior notes	1,582,189	3,270,011	5,673,214	–	10,525,414	8,622,486
Corporate bonds	180,000	179,507	3,049,808	–	3,409,315	2,978,128
Payables and accruals	14,806,167	65,760	30,000	–	14,901,927	14,626,921
	17,207,028	4,027,497	9,767,493	956,344	31,958,362	28,982,975
Financial guarantees issued:						
– Maximum amount guaranteed *(note 36)*	22,641,341	–	–	–	22,641,341	–

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through bank deposits, senior notes and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars, United States Dollars and Singapore Dollars.

The following table details the Group's exposure at 31 December 2017 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2017		2016	
	Singapore Dollars '000	**United States Dollars '000**	Singapore Dollars '000	United States Dollars '000
Cash and cash equivalents	**63**	**64,868**	83	186,590
Senior notes	**–**	**(1,294,547)**	(199,488)	(1,093,445)
Bank loans	**–**	**(146,732)**	–	–
Gross exposure arising from recognised assets and liabilities and overall net exposure	**63**	**(1,376,411)**	(199,405)	(906,855)

In addition to the above, subsidiaries of the Company with functional currency of Hong Kong Dollars, have receivables of RMB326,974,000 (2016: RMB266,974,000) from PRC subsidiaries.

A reasonably possible increase/decrease of 5% (2016: 5%) in the foreign exchange rate of RMB against Hong Kong Dollars and United States Dollars would increase/decrease the Group's profit after tax and total equity by RMB430,718,000 (2016: RMB352,384,000). As Hong Kong Dollars are pegged to United States Dollars, the movement of exchange rate of Hong Kong Dollars against United States Dollars is considered insignificant. Moreover, the Group entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of SGD200m Senior Notes and USD200m Senior Notes due in 2021 as discussed in notes 29(c) and 29(e) respectively.

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 19).

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities, other industry indications, as well as the Group's liquidity needs. Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

A reasonably possible increase/decrease of 5% (2016: 5%) in the relevant stock market index (for trading securities), with all other variables held constant, the impact on the Group's profit after tax and total equity is not expected to be material.

(f) Fair value measurement

(i) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Trading securities:				
– Listed equity securities in Hong Kong	**97,105**	**97,105**	**–**	**–**
Derivative financial instruments:				
– Redemption call option of US$200m Senior Notes	**23,907**	**–**	**23,907**	**–**
– Redemption call option of US$400m Senior Notes	**130**	**–**	**130**	**–**
– Redemption call option of US$300m Senior Notes	**19,618**	**–**	**19,618**	**–**
– Redemption call option of US$200 in Senior Notes due in 2018	**194**	**–**	**194**	**–**
Liabilities:				
Derivative financial instruments:				
– Foreign exchange swap contracts	**79,165**	**–**	**79,165**	**–**

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at 31 December 2016 RMB'000	Fair value measurements as at 31 December 2016 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Trading securities:				
– Listed equity securities in Hong Kong	105,868	105,868	–	–
Derivative financial instruments:				
– Redemption call option of US$200m Senior Notes	19,411	–	19,411	–
– Redemption call option of US$400m Senior Notes	2,873	–	2,873	–
– Redemption call option of US$300m Senior Notes	12,333	–	12,333	–
– Foreign exchange swap contracts	27,074	–	27,074	–
Liabilities:				
Derivative financial instruments:				
– Foreign exchange swap contracts	159,394	–	159,394	–

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) *Financial assets and liabilities measured at fair value (Continued)*

Fair value hierarchy (Continued)

During the years ended 31 December 2016 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of redemption call options of US$200m Senior Notes, US$400m Senior Notes, US$300m Senior Notes and US$200m Senior Notes due in 2018 in Level 2 are determined by assessing the difference between the fair value of the senior notes by quoted price and the pure bond value.

The fair value of forward exchange swap contract in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant interest rate swap and cross currency basis swap yield curve as at the end of the reporting period plus an adequate credit spread.

(ii) *Fair values of financial instruments carried at other than fair value*

The fair values of these financial instruments are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2017 and 2016. Amounts due from/(to) related companies, associates, joint ventures, and non-controlling interests are either recoverable/(repayable) on demand or with no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

35 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2017 not provided for in the financial statements are as follows:

	2017 RMB'000	2016 RMB'000
Properties under development undertaken by the Group		
– Authorised but not contracted for	**12,352,427**	11,831,350
– Contracted but not provided for	**6,814,843**	5,443,571
	19,167,270	17,274,921
Properties under development undertaken by joint ventures attributable to the Group		
– Authorised but not contracted for	**1,115,758**	1,617,493
– Contracted but not provided for	**270,684**	1,006,293
	1,386,442	2,623,786

(b) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**4,253**	4,253
After 1 year but within 5 years	**17,015**	17,015
After 5 years	**84,370**	88,624
	105,638	109,892

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to thirty years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

36 CONTINGENT LIABILITIES

(a) Guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's and joint venture's properties

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's and joint ventures' properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the buyers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the buyers of the Group's and joint ventures' properties at 31 December 2017 is as follows:

	2017	2016
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to buyers of:		
– the Group's properties	**18,738,540**	14,514,045
– the joint ventures' properties (the Group's shared portion)	**4,602,718**	4,562,996
	23,341,258	19,077,041

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods as the Group and the joint ventures have not applied for individual building ownership certificates for these buyers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group/joint ventures to the banks. The Group and joint ventures have not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group and joint ventures in the event the buyers default payments to the banks.

36 CONTINGENT LIABILITIES (Continued)

(b) Guarantees given to financial institutions for bank loans and other loans granted to joint ventures

The Group provided guarantees to bank loans and other loans of joint ventures amounting to RMB6,511,840,000 at 31 December 2017 (2016: RMB2,914,300,000). At the end of the reporting period, the directors do not consider it probable that claims will be made against the Group under these guarantees. The Group has not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured using observable market data and their transaction prices were RMBNil.

(c) Liquidity support given to 河南建業物業管理有限公司 (for identification purpose, in English, Henan Jianye Property Management Company Limited ("Jianye Property Management"))

The Group provided liquidity support in favour of Jianye Property Management, an independent third party, for an amount of RMB650,000,000 (2016: RMB650,000,000) as at 31 December 2017 in relation to Asset-backed Securities issued by Jianye Property Management. Details of the Assets-backed Securities are disclosed in the Company's announcement dated 13 April 2016. The service fee of RMB1,950,000 (2016: RMB1,300,000) was recognised in 2017.

37 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, major related party transactions entered by the Group during the year ended 31 December 2017 are as follows:

	Note	**2017 RMB'000**	2016 RMB'000
Project management service income		**10,081**	–
Interest income from joint ventures	*(a)*	**32,556**	101,579
Interest income from non-controlling interests	*(a)*	**518**	13,127
Interest expenses to joint ventures	*(b)*	**–**	(107,674)
Interest expenses to non-controlling interests	*(b)*	**(2,527)**	(7,399)

Notes:

(a) The amounts represent interest income in relation to advances to joint ventures and non-controlling interests.

(b) The amounts represent interest expenses in relation to loans from joint ventures and non-controlling interests.

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(a) Acquisitions of subsidiaries in 2017

During the year ended 31 December 2017, the Group acquired equity interests in twelve entities which held property development projects. After the completion of the acquisition, these twelve entities become the Group's subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interests held before acquisition	Percentage of equity interests acquired	Percentage of equity interests held after acquisition	Consideration
					RMB'000
17 January 2017	Zhumadian City Chuncheng Properties Company Limited*	0%	51%	51%	10,400
18 January 2017	Changge City Yicheng Real Estate Development Company Limited*	0%	70%	70%	36,350
29 March 2017	Puyang City Lima Beer Company Limited*	0%	60%	60%	21,288
31 March 2017	Henan Central China Union Zhiye Company Limited*	65.63%	34.37%	100%	330,000
31 March 2017	Henan Longyu Real Estate Company Limited*	70%	30%	100%	124,949
9 June 2017	Shangqiu Hongda Enterprises Company Limited*	0%	80%	80%	40,721
31 July 2017	Shangqiu Xindu Properties Company Limited*	0%	100%	100%	–
3 August 2017	Henan Jiaheng Properties Company Limited*	0%	100%	100%	16,500
7 August 2017	Shangqiu City Zhiyuan Real Estate Development Company Limited*	0%	51%	51%	–
29 August 2017	Beijing Lande Huifeng Real Estate Development Company Limited*	0%	100%	100%	230,000
30 August 2017	Shangqiu Jinshengyuan Industrial Company Limited*	0%	51%	51%	10,200
20 September 2017	Zhengzhou Fengtai Properties Company Limited*	0%	70%	70%	59,400

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries in 2017 (Continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount RMB'000	Adjustments RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment	4,587	–	4,587
Interests in joint ventures	20,000	–	20,000
Tax recoverable	43,616	–	43,616
Properties for sale	2,147,785	493,093	2,640,878
Trade and other receivables	1,493,269	–	1,493,269
Deposits and prepayments	108,118	–	108,118
Restricted bank deposits	85,998	–	85,998
Cash and cash equivalents	255,482	–	255,482
Bank loans	(1,022,800)	–	(1,022,800)
Trade and other payables	(901,800)	–	(901,800)
Receipts in advance	(954,032)	–	(954,032)
Net identified assets and liabilities	1,280,223	493,093	1,773,316
Non-controlling interests			(106,520)
			1,666,796
Satisfied by:			
Cash			879,808
Carrying amount of interests in joint ventures as at acquisition date			786,988
			1,666,796
Total consideration paid			879,808
Total cash and cash equivalents acquired			(255,482)
Net cash outflow			624,326

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries in 2017 (Continued)

The above subsidiaries contributed an aggregate revenue of RMB1,567,973,000 and profit attributable to the equity shareholders of the Company of RMB44,729,000 to the Group for the year ended 31 December 2017. Should the acquisitions had occurred on 1 January 2017, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2017 would have been RMB13,894,349,000 and RMB813,028,000 respectively.

The Group incurred acquisition-related costs of RMB229,000, and have been included in "general and administrative expenses".

(b) Disposals of subsidiaries in 2017

During the year ended 31 December 2017, the Group disposed equity interests in the below four entities. After the completion of the disposal, the Group retained certain equity interests in Zhengzhou Anyong Properties Limited and Henan Longyu Real Estate Company Limited and accounted for as joint ventures. Disposals of subsidiaries during the year are summarised as follows:

Dates of disposal	Name of subsidiaries disposed	Percentage of equity interests held before disposal	Percentage of equity interests disposed	Percentage of equity interests held after disposal	Consideration
					RMB'000
15 February 2017	Zhengzhou Central China Kairun Real Estate Company Limited*	85%	85%	0%	–
21 February 2017	Henan Central China Kaipu Commercial Development Company Limited*	80%	80%	0%	–
21 July 2017	Zhengzhou Anyong Properties Limited*	100%	20%	80%	150,000
27 December 2017	Henan Longyu Real Estate Company Limited*	100%	40%	60%	145,000

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(b) Disposals of subsidiaries in 2017 (Continued)

The disposals of subsidiaries had the following combined effect on the financial position:

	RMB'000
Property, plant and equipment	506
Properties for sale	1,792,053
Trade and other receivables	1,356,342
Deposits and prepayments	1,488
Tax recoverable	4,744
Restricted bank deposits	22,668
Cash and cash equivalents	11,412
Bank loans	(1,037,440)
Payables and accruals	(1,306,599)
Receipts in advance	(30,560)
Tax payable	(43,320)
Non-controlling interests	(24,802)
Net assets	746,492
Net gain on disposals of subsidiaries *(note 5)*	189,647
	936,139
Satisfied by:	
Cash	295,000
Interests in joint ventures	641,139
	936,139
Total consideration received	295,000
Total cash and cash equivalents disposed	(11,412)
Net cash inflow	283,588

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(c) Deemed disposal of a subsidiary in 2017

During the year ended 31 December 2017, an investor invested in the below subsidiary, which diluted the Group's equity interests in the entity (see note 17(d)). Details of the deemed disposal of a subsidiary during the year are summarised as follows:

Dates of deemed disposal	Name of the subsidiary deemed disposed	Percentage of equity interests held before deemed disposal	Percentage of equity interests deemed disposed	Percentage of equity interests held after deemed disposal
9 May 2017	Zhengzhou Jianye Eighteen Cities Zhiye Company Limited*	100%	50%	50%

* The English name of the above company in the PRC is translated by management only for the purpose of these financial statements

The deemed disposal of a subsidiary had the following effect on the Group's financial position:

	RMB'000
Property, plant and equipment	104
Properties for sale	10,523
Deposits and prepayments	2,633,456
Cash and cash equivalents	903
Payables and accruals	(2,545,546)
Net assets	99,440
Net gain on deemed disposal of a subsidiary *(note 5)*	280
	99,720
Satisfied by:	
Interests in a joint venture	99,720
Total cash and cash equivalents disposed	(903)
Net cash outflow	(903)

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(d) Acquisitions of subsidiaries in 2016

During the year ended 31 December 2016, the Group acquired equity interests in seven entities which held property development projects. After the completion of the acquisition, these seven entities become the Group's subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interest held before acquisition	Percentage of equity interest acquired	Percentage of equity interest held after acquisitions	Consideration RMB'000
15 April 2016	Universal Food City Development (Henan) Company Limited*	57.53%	42.47%	100%	150,000
21 November 2016	Henan Yuanda Company Limited*	51.61%	48.39%	100%	422,773
21 November 2016	Puyang Jianye City Development Company Limited*	51.22%	48.78%	100%	594,369
11 August 2016	Zhengzhou Anyong Properties Limited*	0%	100.00%	100%	354,179
21 October 2016	Zhengzhou Ansheng Geological Cuture Development Limited*	0%	80%	80%	203,011
24 October 2016	Henan Shanhao Real Estate Development Company Limited*	0%	100%	100%	117,492
24 October 2016	Henan Yuxuan Real Estate Development Company Limited*	0%	100%	100%	47,241

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(d) Acquisitions of subsidiaries in 2016 (Continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount RMB'000	Adjustments RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment	2,799	–	2,799
Other financial assets	1,000	–	1,000
Tax recoverable	11,309	–	11,309
Properties for sale	1,892,313	1,166,164	3,058,477
Trade and other receivables	1,235,174	–	1,235,174
Deposits and prepayments	68,321	–	68,321
Restricted bank deposits	17,744	–	17,744
Cash and cash equivalents	60,034	–	60,034
Bank loans	(149,800)	–	(149,800)
Trade and other payables	(1,262,274)	–	(1,262,274)
Receipts in advance	(62,160)	–	(62,160)
Net identified assets and liabilities	1,814,460	1,166,164	2,980,624
Non-controlling interests			(50,752)
			2,929,872
Satisfied by:			
Cash			1,889,065
Carrying amount of interests in joint ventures as at acquisition date			973,846
Fair value gain upon acquisition of subsidiaries *(note 5)*			66,961
			2,929,872
Total consideration paid			1,889,065
Total cash and cash equivalents acquired			(60,034)
Net cash outflow			1,829,031

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(d) Acquisitions of subsidiaries in 2016 (Continued)

The above subsidiaries contributed an aggregate revenue of RMB51,998,000 and loss attributable to the equity shareholders of the Company of RMB1,842,000 to the Group for the year ended 31 December 2016. Should the acquisitions had occurred on 1 January 2016, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2016 would have been RMB9,779,467,000 and RMB240,148,000 respectively.

The Group incurred acquisition-related costs of RMB180,000, and have been included in "general and administrative expenses".

(e) Disposals of subsidiaries in 2016

During the year ended 31 December 2016, the Group disposed equity interests in the below two entities. After the completion of the disposal, the Group retained certain equity interests in Henan Shengtai Real Estate Company Limited and Anyang Central China City Development Company Limited and accounted for as joint ventures. Disposals of subsidiaries during the year are summarised as follows:

Dates of disposal	Name of subsidiaries disposed	Percentage of equity interests held before disposal	Percentage of equity interests disposed	Percentage of equity interests held after disposal	Consideration RMB'000
23 June 2016	Henan Shengtai Real Estate Company Limited*	100%	100%	0%	32,632
25 December 2016	Anyang Central China City Development Company Limited*	55%	5.50%	49.50%	5,500

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(e) Disposals of subsidiaries in 2016 (Continued)

The disposals of subsidiaries had the following combined effect on the financial position:

	RMB'000
Property, plant and equipment	318
Properties for sale	203,678
Trade and other receivables	279,427
Cash and cash equivalents	213,880
Other loans	(400,000)
Payables and accruals	(79,060)
Receipts in advance	(93,935)
Tax payable	(1,427)
Non-controlling interests	(40,744)
Net assets	82,137
Net gain on disposals of subsidiaries *(note 5)*	813
	82,950
Satisfied by:	
Cash	38,132
Interests in joint ventures	44,818
	82,950
Total consideration received	38,132
Total cash and cash equivalents disposed	(213,880)
Net cash outflow	(175,748)

(Expressed in Renminbi)

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(f) Deemed disposals of subsidiaries in 2016

During the year ended 31 December 2016, certain investors invested in the below subsidiaries, which diluted the Group's equity interests in these entities. Details of the deemed disposals of subsidiaries during the year are summarised as follows:

Dates of deemed disposal	Name of subsidiaries deemed disposed	Percentage of equity interests held before deemed disposal	Percentage of equity interests deemed disposed	Percentage of equity interests held after deemed disposal
27 June 2016	Kaifeng Central China Real Estate Company Limited*	100%	40%	60%
1 January 2016	Xinyang Tianheng Real Estate Company Limited*	100%	49.69%	50.31%

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(f) Deemed disposals of subsidiaries in 2016 (Continued)

The deemed disposals of subsidiaries had the following effect on the Group's financial position:

	RMB'000
Property, plant and equipment	19,288
Properties for sale	965,206
Trade and other receivables	809,766
Deposits and prepayments	104,850
Tax recoverable	288
Restricted bank deposits	6,631
Cash and cash equivalents	97,075
Payables and accruals	(1,141,990)
Receipts in advance	(36,806)
Tax payable	(7,813)
Net assets	816,495
Net loss on deemed disposals of subsidiaries *(note 5)*	(18,611)
	797,884
Satisfied by:	
Interests in joint ventures	797,884
Total cash and cash equivalents disposed	(97,075)
Net cash outflow	(97,075)

39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 RMB'000	2016 RMB'000
Non-current asset			
Interests in subsidiaries		**9,885,326**	10,137,405
Current assets			
Derivative financial instruments		**43,849**	61,691
Cash and cash equivalents		**216,264**	145,405
Deposits and prepayments		**6,302**	–
		266,415	207,096
Current liabilities			
Payables and accruals		**(247,725)**	(303,950)
Amount due to a subsidiary		**–**	(3,612)
Senior notes		**(3,890,692)**	(960,216)
		(4,138,417)	(1,267,778)
Net current liabilities		**(3,872,002)**	(1,060,682)
Total assets less current liabilities		**6,013,324**	9,076,723
Non-current liabilities			
Bank loans		**(953,202)**	–
Senior notes		**(4,518,961)**	(7,662,270)
		(5,472,163)	(7,662,270)
NET ASSETS		**541,161**	1,414,453
CAPITAL AND RESERVES	33(b)(ix)		
Share capital		**216,916**	216,322
Reserves		**324,245**	1,198,131
TOTAL EQUITY		**541,161**	1,414,453

Approved and authorised for issue by the board of directors on 12 March 2018.

Wu Po Sum	**Yan Yingchun**
Executive Director	*Executive Director*

40 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements used in preparing the financial statements are evaluated and 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 to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Valuation of investment properties

All investment properties of the Group are revalued as at the end of the reporting period by independent professionally qualified valuers, on an open market value basis calculated by reference to the net rental income with allowance for reversionary income potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sale prices for similar properties in the same location and condition and an appropriate capitalisation rate. Any change in assumptions of the valuation would affect the value of the investment properties significantly, and profit or loss in future years.

(b) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(c) Impairment for buildings and construction in progress

As explained in note 2(l), the Group makes impairment for the buildings and construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

40 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(d) Provision for properties for sale

As explained in note 2(m), the Group's properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(e) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group assesses the estimates on the aging of the trade and other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual provisions would be higher than that estimated.

(f) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors.

Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(g) CIT and LAT

As disclosed in note 7, the Group is subject to CIT and LAT under both authorised taxation method or actual taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the assessment and assumption of ultimate tax liability and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such assessment is made.

(h) Estimation of fair value of derivative financial instruments

Redemption call options embedded in senior notes of the Group are classified as derivative financial instruments and stated at fair value at the end of each reporting period. The fair value of these options is measured based on the assumptions set out in note 29. Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

(Expressed in Renminbi)

41 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 5 March 2018, the Company issued senior notes with principal amount of US$300,000,000 due in 2021.The senior notes are interest bearing at 6.5% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 5 March 2021. The details of the redemption price are disclosed in the relevant offering memorandum published by the Company on 27 February 2018.

(b) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 33(c)(i).

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 9, Financial instruments (Continued)

(a) Classification and measurement (Continued)

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans not to elect this designation option for any of the investments held on 1 January 2018 and will recognise any fair value changes in respect of these investments in profit or loss as they arise. This will give rise to a change in accounting policy as currently the Group recognises the fair value changes of available-for-sale equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 2(e) and 2(l). This change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss. Based on a preliminary assessment, this new requirement will not have any material impact on the Group on adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, this new requirement will not have any material impact on the Group on adoption of HKFRS 9.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) *Timing of revenue recognition*

The Group's revenue recognition policies are disclosed in note 2(v). Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of properties is generally recognised at the point in time when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 15, Revenue from contracts with customers (Continued)

(a) Timing of revenue recognition (Continued)

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of project management service. For certain pre-sales of properties under development, the Group is in the process of assessing the legal implication of enforceable rights to payment for performance completed to date under current PRC laws and regulations comprehensively. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer at a point in time or over time.

(b) Significant financing component

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

Advance payments are common in the Group's arrangements with its customers, when properties are marketed by the Group while the property is still under construction.

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

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. As allowed by HKFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The expected changes in accounting policies as described above could have a material impact on the Group's financial results from 2018 onwards.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 16, Leases

As disclosed in note 2(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 35(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB105,638,000, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

Summary of Financial Information

A summary of the consolidated results and of the consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years prepared on the basis as hereunder stated is as set out below:

CONSOLIDATED RESULTS

	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**13,879,207**	9,495,022	12,562,724	9,228,763	6,951,125
Profit before taxation	**1,940,066**	1,027,511	1,741,299	1,956,836	1,939,393
Income tax	**(1,040,784)**	(623,391)	(937,264)	(999,244)	(854,542)
Profit for the year	**899,282**	404,120	804,035	957,592	1,084,851
Attributable to:					
Equity shareholders of the Company	**811,365**	402,973	801,290	883,301	1,025,930
Non-controlling interests	**87,917**	1,147	2,745	74,291	58,921
	899,282	404,120	804,035	957,592	1,084,851
Earnings per share (RMB cents)					
– Basic	**33.19**	16.50	32.84	36.27	42.16
– Diluted	**32.95**	16.50	32.84	36.26	42.06

Summary of Financial Information (Continued)

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Assets					
Non-current assets	**15,444,674**	10,352,722	10,286,536	7,411,809	7,827,718
Current assets	**47,082,511**	33,973,078	29,471,468	29,938,289	23,689,635
Total assets	**62,527,185**	44,325,800	39,758,004	37,350,098	31,517,353
Liabilities					
Current liabilities	**(42,669,432)**	(24,390,646)	(24,215,552)	(22,073,291)	(18,823,456)
Non-current liabilities	**(11,384,584)**	(12,937,828)	(8,224,933)	(8,209,891)	(5,994,050)
Total liabilities	**(54,054,016)**	(37,328,474)	(32,440,485)	(30,283,182)	(24,817,506)
Net assets	**8,473,169**	6,997,326	7,317,519	7,066,916	6,699,847
Equity					
Total equity attributable to equity shareholders of the Company	**7,694,673**	6,422,063	6,798,660	6,443,162	6,022,696
Non-controlling interests	**778,496**	575,263	518,859	623,754	677,151
Total equity	**8,473,169**	6,997,326	7,317,519	7,066,916	6,699,847