力高集團
REDCO GROUP

力高地產集團有限公司
REDCO PROPERTIES GROUP LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

STOCK CODE : 1622

2017
ANNUAL REPORT

CONTENTS

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2017 RMB' 000	2016 RMB' 000 (Restated)	Change (%)
Revenue	**6,734,067**	5,270,090	27.8%
Gross profit	**1,676,440**	1,085,339	54.5%
Profit before income tax	**1,597,867**	960,748	66.3%
Profit for the year	**990,132**	554,765	78.5%
Profit attributable to owners of the Company	**862,237**	450,756	91.3%
Total assets	**19,872,007**	14,854,706	33.8%
Cash and cash equivalents	**3,587,062**	2,417,219	48.4%
Total bank and other borrowings	**7,243,219**	3,629,232	99.6%
Earnings per share for profit attributable to owners of the Company		(Restated)	
– Basic and diluted (expressed in RMB cents per share)	**24.28**	12.69	91.3%

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Yeuk Hung
Mr. HUANG Ruoqing
Mr. TANG Chengyong

Independent Non-executive Directors

Dr. WONG Yau Kar, David GBS, BBS, JP
Mr. CHAU On Ta Yuen SBS, BBS
Mr. YIP Tai Him
Mr. CHOW Kwong Fai, Edward JP

COMPANY SECRETARY

Mr. CHAN Hing Chau

AUTHORISED REPRESENTATIVES

Mr. HUANG Ruoqing
Mr. CHAN Hing Chau

AUDIT COMMITTEE

Mr. CHOW Kwong Fai, Edward JP *(Chairman)*
Mr. YIP Tai Him
Dr. WONG Yau Kar, David GBS, BBS, JP
Mr. CHAU On Ta Yuen SBS, BBS

REMUNERATION COMMITTEE

Mr. YIP Tai Him *(Chairman)*
Mr. CHAU On Ta Yuen SBS, BBS
Mr. HUANG Ruoqing

NOMINATION COMMITTEE

Mr. HUANG Ruoqing *(Chairman)*
Dr. WONG Yau Kar, David GBS, BBS, JP
Mr. CHAU On Ta Yuen SBS, BBS

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISORS

Sidley Austin
39th Floor, Two International Finance Centre
Central, Hong Kong

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

28th Floor, Block B, The Rongchao Tower
No. 6003 Yitian Road
CBD, Shenzhen
People' s Republic of China

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

Room 2001-2, Enterprise Square 3
39 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Ltd.
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen' s Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China
Bank of China (Hong Kong) Limited
China Minsheng Bank
Hang Seng Bank
Wing Lung Bank

INVESTOR RELATIONS

Email: ir@redco.cn
Fax: (852) 2758 8392

STOCK CODE

1622

WEBSITE

www.redco.cn

KEY EVENTS OF THE YEAR

February 2017

We acquired the land parcel of the Royal Family project in Nanchang, Jiangxi, which strengthened our strategic layout.

March 2017

We entered into a strategic cooperation with CP Homes, enabling comprehensive development into the diversified industry of property value chain.

April 2017

Our leisure resort featured with oriental culture, The Garden of Spring, was first showcased.

May 2017

The first Redco site opening day activity was held in Bluelake International in Nanchang, Jiangxi, which sets a milestone for our enhanced customer service.

May 2017

We were recognized as one of the "2017 Top 100 PRC Listed Real Estate Companies" in terms of overall strength.

June 2017

Royal Family in Nanchang was sold out in 1 hour with a turnover of RMB 300 million for its debut. We achieved a new record of 5 projects sold out at their debut in the year.

July 2017

We consecutively acquired 2 popular land parcels in Heifei, Anhui for our Bluelake City projects.

We successfully acquired the Bluelake Landmark project in Zhongshan, materializing our layout of further development into the Guangdong-Hong Kong-Macau Greater Bay in order.

July 2017

We successfully acquired the Imperial Mansion project in Jinan, Shandong.

August 2017

We were selected as a constituent of the “Hang Seng Composite SmallCap Index of the Hang Seng Composite Index.

September 2017

We entered the market of Ganzhou, the second city centre of Jiangxi Province, and constructed our large commercial complex project “Fifth Avenue”.

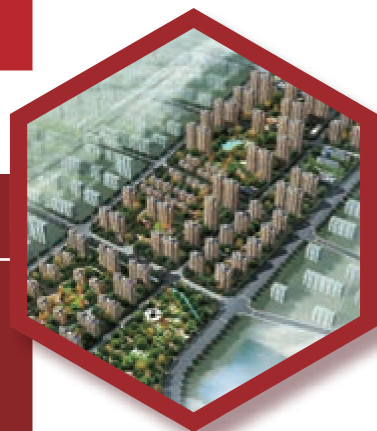
We were selected as one of the stock trading under Shenzhen Connect.

KEY EVENTS OF THE YEAR

December 2017

We successfully acquired the land parcel of the Bayview project in Quanzhou, Fujian, in order to continue with our further development into the Greater Western Taiwan Straits Economic Zone.

We were selected as a constituent of the MSCI China SmallCap Index.



December 2017

We acquired Majestic Mansion project in Xian New District in Shanxi Province, expanding our appearance in the Western China.

We acquired a land parcel of good quality for our Redco Visionary Project in Jinan, Shandong, led by our advantage of further development into such province.

December 2017

Redco CP Medical Care and Pension Centre in Nanchang has had its soft opening.

December 2017

We were recognized as “Listed Companies with the Most Growth Potential - 2017 Listed Companies Awards of China Financial Market 2017”.

MAJOR PROPERTY PROJECTS

ROYAL INTERNATIONAL, NANCHANG

The Royal International (project name: Imperial Metropolis and Imperial Mansion), Nanchang is another quality benchmarking project of the Group in Nanchang, Jiangxi Province. It is equipped by perfect ancillary facilities due to its location at the interchange of Lianxi Road and Lianfu Road in Nanchang County, which is the centre of Chang Nan Old City.

The total area of the project is 189 Mu and its gross floor area is 336,945.6 sq.m.. The project comprised high-rise residential buildings, large commercial complex area and kindergarten, with a capacity of approximately 2,300 flats. We adopted A-deco New Asian style to the entire construction which demonstrated the beauty of modernism. The ancillary commercial complex has an area of approximately 50,000 sq.m. and assembles restaurants and entertainment facilities, providing an access to one-stop convenience to residents nearby.

IMPERIAL MANSION, JINAN

The Imperial Mansion, Jinan is the sixth project of the Group in Jinan, with a gross floor area of approximately 109,400 sq.m. It is located at the core position of the northeast of Zhangqiu City, and closely approximated to Baimaiquan Park and Xiujiang River Park, which is an important ecological living area established by the government with comprehensive ancillary facilities in commercial and medical aspects.

The project comprises 8 high-rise residential buildings with different height and shops on streets. With regards to the residential flats, their area ranges from 92 to 134 sq.m. with a quadrilateral layout and south-facing position. Traffic flow within the flat is scientifically planned, leading to a pragmatic and comfortable layout. The design of the social garden of the project is based on a theme of “rippling of the spring and reflection of flowers”(泉 漪 花 影), in order to build a functional garden landscape with focuses on “Sports, Health and LOHAS”. As an ornamental and functional social garden, it also comprises of tailor-made leisure area for residents, such as a loop of luminous running track and an activity centre for children and senior citizens at all ages, in order to create a popular and modern lifestyle in our dynamic garden.

SUNSHINE COAST, YANTAI

Sunshine Coast, Yantai is located on the coastal line on Binhai Road, which is the signature of Yantai, Shandong Province. The project is located at the south of Binhai Road of the High and New Technology Zone, the north of Technology Road and the east of Agricultural Road, therefore residents can enjoy the view of the well-known coastal line of Yantai. The project is opposed to Mashanzhai, the famous Yantai resort, and the Mashanzhai Golf Course. Residents can see clearly the putting green at the coast, and be surrounded by a forest of black pine which creates a natural oxygen bar. There is also a natural lake in the area of project. The natural landscape of the project is excellent including mountain, sea, lake and forest.

The overall plan of the project is a mix of middle-to-high rise residential buildings with sea view, commercial properties and apartments, in which the residential flats have quadrilateral layout. In respect of commercial ancillary facilities, we build a dynamic commercial area based on international BLOCK commercial planning. Within a 10-minute driving distance, there are quality ancillary facilities in meeting of different aspects, such as the new campus of Yantai Second Junior High School, the University of Groningen of the Netherlands, Yantaishan Hospital of Laishan District, Sports Park and Yantai International Exhibition Centre. We construct the project in order to build the image of a prestigious coastal project and become the signature of a decent coastal residence in Yantai.

BLUELAKE LANDMARK, ZHONGSHAN

Bluelake Landmark is the first project that we endeavour to build in Zhongshan. It is located at No.2, Huanshan East Road, Huangpu County, Zhongshan, Guangdong. Huangpu is located at the northern Zhongshan which is closely connected to Guangzhou and Zhuhai by Guangzhou-Zhuhai West Line Expressway, Zhongshan-Jiangmen Expressway and Guangzhou-Zhuhai Intercity Railway. Apart from the easy accessibility due to its location at the core area of Huangpu County, the project is surrounded by bustling commercial activities and massive foot traffic with perfect ancillary facilities.

The beautiful scenery of the project is attributed to its situation next to Huangpu Park and along the hill. It has an area of 28,112.5 sq.m. and a gross floor area of 75,414 sq.m. The comprehensive plan of the project covers high-rise houses and townhouses with user-friendly designs..

SUNSHINE COAST, TIANJIN

Sunshine Coast, Tianjin is the first masterpiece of the Group as our first step into Tianjin. It is located at the eastern coast of Tianjin and the centre of Sino-Singapore Tianjin Eco-city. The project also closely approximates to the Aircraft Carrier Theme Park, with several urban expressways passing by, such as Binhai Expressway.

With its unique natural scenery and cultural landscape, we build a coastal featured garden landscape, such as a private beach of 500,000 sq.m., an infinity pool and Tianxing pier. Also, the project is constructed as an eco-society comprising of residence, culture and tourism, and equipped with ancillary facilities such as business club, supermarket, water sports club, seafood restaurant, coastal shopping zone and kindergarten.

The project has an aggregated site area of approximately 481,394 sq.m. and a gross floor area of approximately 1,475,226 sq.m. We adopted American coastal style and a panoramic layout of the entire island to our vast construction. The island was divided into 2 halves, with high-rise residential building and commercial zone in the north and villas and houses in the south. The project is an island residence which is rare in Beijing-Tianjin area.

The project serves as a combination of eco-tourism and perfect ancillary facilities in which customers' desire of coastal residence in different dimensions would be well satisfied. Therefore, it has been very popular since its launch, and achieved the annual best selling project in Binhai District, Tianjin with 1,268 units sold in 2017.

BLUELAKE CITY, HEFEI

Bluelake City, Hefei is located at the Feidong Economic Development Zone, the key area at the east of the city centre of Hefei, Anhui Province. It is connected with the city centre by several major roads such as Changjiang East Road and Linquan Road, and it takes only 5-miunte walk from the project to the planned extension of the Metro Line 2.

The project has an aggregated area of 114 Mu and a gross floor area of 240,000 sq.m. It contains 8 houses and 13 high-rise residential buildings and commercial matching facilities. There are perfect ancillary facilities covering education, medical, transportation, shopping and leisure. The project has a prime location as it is surrounded by large commercial centres with a strong combination of residential and commercial functions.

As the pioneer of its local peers, we adopted the concept of ART & Light for residential units, in which we created an artistic lifestyle for our flat owners by light. The project is known as a quality residence in the region as we adopted a user-friendly design, in which buildings were arranged in layers from south to north in order to maximize daylight and achieve a balance of residence and ecology.

THE GARDEN OF SPRING, NANCHANG

The Garden of Spring, Nanchang is located at the exit of the Ruihong Town Expressway at Yugan County, Jiangxi Province. The project is characterized by advantage of transportation as it takes 30 minutes from the project to the New and High-technology Development Zone of Nanchang. Also, the beauty of the natural scenery nearby contributes to its abundant potential of tourism.

The project has an aggregated area of approximately 45.6 Mu and a gross floor area of approximately 15,859.5 sq.m., thus the floor area ratio is only 0.52. As we targeted at creating a first-tier oriental resort and residence in Jiangxi, our plan was to construct mainly Chinese courtyard houses with an area ranged from 88 sq.m. to 130 sq.m., coupled with service apartments and a shopping zone in Chinese style, in order to demonstrate a combination of Chinese tradition and contemporary lifestyle.

We built the project along the hill. Based on Chinese architecture, the landscape was created according to Huizhou Style, reflecting the authenticity of the culture of Chinese courtyard residence. The project thoroughly demonstrated our theme of "natural beauty" as we adopted a 5-layer landscaping, as well as Suzhou gardens as the model of our construction, in which its principle was variation of sceneries from different viewpoints. Characterized by the charm of Chinese architecture, the project served as a cultural heritage of residence in oriental context and a mix of resort and residence based on Chinese culture in Jiangxi.

LETTER TO SHAREHOLDERS

Dear Shareholders,

"Focused on capital operation to achieve a high quality turnaround" ("以資金運營為中心,實現有質量的高週轉") has always been the Redco Group's business strategy. Thanks to the steady implementation of the strategy, the Group has been able to focus on both our "quality" and "quantity" development. In the past three years, the Group's contract sales reached a compound growth rate of 80%. In 2017, the Group achieved a contract sales amount of RMB13.1968 billion and a net profit of RMB990.1 million. The quality land reserves of strong second-tier cities have increased steadily. While income diversified, our financial performance remained robust.

In 2017, the industry engaged in both de-leverage and de-inventory, tightened control of capital into the first and second tier cities, coupled with increased efforts in terms of classified control over hot-spot cities, resulted in an undoubtedly more difficult market environment, but the opportunities for development have never been far away. The urbanization rate in China is still under 60%. Compared with the past experience of developed countries, the process of rapid urbanization continues to be the main force supporting the development of the industry. Under the differentiated adjustment and control polices, we see more structured development opportunities, coupled with the combination of rigid demand of first houses, improvement in demand and the urban line, will bring more opportunities for the development of the Group; in the era of stockpiling of inventory, the explosion of diversified demands from customers for a "good living", and the horizontal and vertical extension of the service will lead the industry onto the stage of mature development, which will further expand the scale of the industry in a broader term. For the Group, keeping abreast with the development of times and firmly grasping the opportunities within the industry, and furthering both our business scale and profits has been the direction of our consistent efforts. Large scale operations are thriving in the era of scale orientation; yet the Group remains calm and rational when facing the market trend, and value both scale and profits, and develop both our quality and quantity. We are committed to creating exquisite products and enjoyable living. As a diversified community-living operator, we are committed to building a real estate-based business, supplemented by diversified development, actively responding to industry trends, and continuing to establish strategic layout, acquire high-quality land, capital, and talent to build our absolute advantage which will surely lead the Group to achieve rapid corner overtaking under the backdrop of the new era.

BUSINESS REVIEW

Market and Sales Performance

In 2017, the real estate policy adhered to the main principle of "Housing for residents and not speculators, and implement long-term effect mechanism" ("房住不炒,長效機制"), and expanded the supply-side reforms, optimized the supply structure, with the tight convergence between short-term control and long-term mechanisms, the effect of adjustment and control gradually emerged. Sales area of commercial houses continued to reach record highs throughout the year, but the differentiation between cities was obvious, with the transaction volume of major cities, especially first-tier cities, dropped significantly, while third- and fourth-tier cities have all recovered, driving up the sales area nationwide. While the amount of different types of land on the PRC market has increased, and the transaction volume has grown for the first time in four years, which has eased the supply pressure. However, high land prices still exert pressure on the industry.

The Group persist in implementing the investment layout strategy of "expansion into the first-tier cities and further development into the strategically targeted second-tier cities (大力拓展一線城市,深耕已進入的強二線城市)", and adhere to the urban layout strategy of "3+N+1", strategically focusing on the three core regions, namely the Greater Bay Area, the Yangtze River Delta region, and the Bohai Rim region, as well as actively develop multiple key urban nodality in the Mid-west, supplemented by overseas markets. We continued to focus on the core cities development, such as Shenzhen, Shanghai, Guangzhou, Hefei, Nanchang, Jinan and Tianjin with high growth potential and strong demand. The Group adhere to the principle of improving the living environment of home-buyers by constructing upgraded products for first-time purchasers and first-time upgraders. The operating principles consistently upheld by the Group has effectively resolved the pressure from the adjustment and control policies in 2017, and matches with the market development direction and demand, achieving a steady growth in terms of results performance of the Group.

During 2017, the Group achieved contracted sales of RMB13.1968 billion, representing a year-on-year increase of 30.2%; area of completed and delivered construction was 858,197 sq.m., representing a year-on-year increase of 32.5%.

Financial Management

The Company continued to maintain a steady financial policy, and abide to its healthy and reasonable capital structure and debt level. The Group's net gearing ratio remain low at 33.7% in 2017.

Land Bank

Following the guidance of the investment planning strategy of "expansion into the first-tier cities and further development into the strategically targeted second-tier cities (大力拓展一線城市，深耕已進入的強二線城市)", the Group has clearly focused expansion and further developments on the key cities in the Greater Bay Area, the Yangtze River Delta Region, and the Bohai Rim region. The Group adhered to the following favourable strategies on land acquisition methods: (i) forming alliance(s) with stateowned enterprise(s) with strong capabilities to benefit from complementary advantages and obtain quality projects for principal operations; (ii) offering management experience for external replication by leveraging professional experience in the real estate development sector to acquire more projects in the same city or assist the government in developing first grade land parcels; (iii) improving and upgrading product lines constantly to enhance operation management standards persistently and leading the market in product capability and operational efficiency.

In 2017, the Group has purchased 10 pieces of construction land in Nanchang, Jinan, Yantai, Hefei, Xian and other cities where we have put efforts in development, so as to further expand its business in the groups of cities located in the Pearl River Delta Region.

As of 31 December 2017, the Group's total land bank amounted to 4.90 million sq.m., forming the base for development by the Group in the next three to five years. In 2016, the Group's average land acquisition cost per sq.m. delivered was RMB2,173, accounting for 39.8% of the average selling price.

Brand Building

The Group has been upholding the brand philosophy of "signature architecture in building enjoyable living (精端著造、創享生活)" and has been striving to increase the profitability of the Group through enhancing our branding image. In 2017, the Group won a number of honours, including the "Top 100 Comprehensive Strength Listed Real Estate Companies in China 2017" (2017中國房地產上市公司綜合實力100強) and "Listed Companies with the Most Growth Potential" (最具潛力上市企業), with brand building and penetration accumulated over the years, we believe the "Redco" brand has been established successfully in the cities targeted for further development by the Group.

FUTURE DEVELOPMENT

Outlook

Within the next five years, the Group aims to (i) be one of the top 100 real estate developers in the PRC with better performance; and (ii) become an integrated developer with regional brand recognition and leading market shares in the cities where we have dedicated efforts for further development. We believe that we can achieve the aforesaid objectives by adhering to the following strategies:

- adhere to the strategy of intensively developing cities and continue to develop the business opportunities captured in first-tier cities, including Shenzhen, Shanghai and Guangzhou, by way of diversified land acquisition strategies to gradually increase our market share; further develop the strategically selected second-tier cities to expand the coverage of projects and brand influence. The Group intends to insist on carefully studying the growth potential of land and carries out acquisitions at competitive costs. We will continue to prioritise our financial resources towards the opportunities which could maximise our profit. Meanwhile, the Group may also make strategic investment and acquisitions that could complement our operations as part of our expanding investment.
- adhere to a prudent financial strategy and continue to diversify financing channels.

- implement professional operation to realize cost refinement. Adhere to projects with high-return for the Group's working capital; rapidly enhance the overall competitiveness of the Group through adjusting the land bank structure reasonably, reinforcing the decision-making effect at frontend of value chain, effectively increasing the pace of development and construction, and implementing meticulous cost control on the basis of sales with collectible payment. We believe through these measures, the price premium of the Group in the land market and the sales market will continue to be significantly enhanced.
- product innovation. Use "full life cycle" concept as a guide for customer service, taking into account the needs of building an enjoyable living, to provide not only residential property, but also additional services from different perspectives, such as health, culture, education, finance, community services. Adhere to research and development as well as innovation on product line and continue to put efforts on research and development on product standardization to increase product competitiveness. We believe that such diversification of our product mix will enhance our ability to expand and will enable us to effectively respond to any macroeconomic policy affecting the PRC residential property sector.
- diversified and synergetic development. The Group will use the professional advantages and facilitating conditions in real estate development to adapt to the changes in market development and customer demand, and to intensify our efforts in healthcare, pensions, cultural tourism, education, finance and community service; adhere to the three basic strategies of "diversified collocation of functions within limited space", "Light assets, light services ", "expansion with resource cooperation mode" to effectively extend the boundaries of real estate and to meet customer needs, so as to enhance the comprehensive value of the properties.
- persist in forming alliance(s) with the partner(s) with strong capabilities that could complement each other; we believe that by leveraging the advantages of cooperative partner(s) in land acquisitions and financing costs, coupled with the Group's professional management experience and operational efficiency, would be favourable for creating the win-win situation for the Group and its partner(s).
- continue to reinforce the Group's brand building. We intend to:
  - adhere to provide quality products to enhance brand awareness and influence in cities;
  - focus on the innovative products by adopting a customer-oriented approach with a view to providing customers with excellent value;
  - strive to develop projects of city landmark properties by adhering to an approach to provide quality products;
  - effectively make use of the big data to fully leverage on the Internet platform, to develop innovative promotion channels and strategies and to attract potential large customers;
  - innovate the scope and extent of property services to increase customers' loyalty in quality property services;
- continue to enhance the policy of human resources, enhance and improve the performance and incentive system.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

BOARD OF DIRECTORS

The board (the "**Board**") of directors (the "**Directors**") of the Company currently consists of seven Directors, comprising three executive Directors and four independent non-executive Directors. The powers and duties of our Board include determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Memorandum of Association (the "**Memorandum**") and Articles of Association of the Company (the "**Articles of Association**"). The biographical details of the Directors are as follows:-

Executive Directors

Mr. Wong Yeuk Hung (黃若虹先生) ("Mr. Wong"), aged 54, has been an executive Director and the Chairman of the Board since 9 March 2017. He was the founder of the Group in 1992. He was responsible for strategic planning and overall management of the group's business from 1992 to 2014. He currently serves as a director of certain subsidiaries of the Company. He currently serves as a member of the committee of the Thirteenth National People's Congress of the Chinese People's Political Consultative Conference, as a Vice Chairman of the Hong Kong Federation of Fujian Associations, and as a Vice Chairman of the Hong Kong Association for the Promotion of the Peaceful Reunification of China. Mr. Wong is currently pursuing a Master degree of Business Administration in the University of Science and Technology of China.

Mr. Wong is the elder brother of Mr. Huang Ruoqing and he is not related to any of the other directors or senior management of the Company. By virtue of the Securities and Futures Ordinance (the "**SFO**"), Mr. Wong is deemed to be interested in 1,387,258,000 shares of the Company (the "**Shares**") held by Global Universe as at 31 December 2017. For further details, please refer to the section headed "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures" in the directors' report.

Mr. HUANG Ruoqing (黃若青先生) ("Mr. Huang"), aged 49, is our executive Director and the president. Mr. Huang has been a Director since 14 July 2008 and was re-designated as our executive Director on 14 January 2014. Mr. Huang is the authorised representative of the Company and the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the Company (the "Remuneration Committee"). Mr. Huang is responsible for the day-to-day management and operations of the Group, supervising the land acquisitions and overseeing project planning and execution of the Group. Mr. Huang is currently a director of Times International Development Company Limited ("Times International") and many of our subsidiaries. Mr. Huang received a bachelor's degree in architecture from Huaqiao University (華僑大學) in the PRC in July 1990. From August 1990 until he joined us in May 1994, Mr. Huang worked as an architecture designer, assistant architect and project manager successively in Quanzhou Construction Design Institute (泉州市建築設計院). Mr. Huang has over 25 years of experience in the real estate industry in the PRC, and he has received various awards, making him a new leader in the real estate industry in the PRC. Mr. Huang was appointed as a visiting professor at Jiangxi University of Finance and Economics (江西財經大學) in December 2015. Mr. Huang is the younger brother of Mr. Wong Yeuk Hung and he is not related to any of the director or senior management of the Company. By virtue of the Securities and Futures Ordinance (the "SFO"), Mr. Huang is deemed to be interested in 924,838,000 shares of the Company (the "Shares") held by Times International as at 31 December 2017. For further details, please refer to the section headed "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures" in the directors' report.

Mr. TANG Chengyong (唐承勇先生) ("Mr. Tang"), aged 54, is an executive Director and our executive vice president. Mr. Tang has been a Director since 18 October 2013 and was re-designated as an executive Director on 14 January 2014. He is primarily responsible for the management of operation team of the group including sales, construction and design. Mr. Tang has over 25 years of experience in the real estate industry in the PRC. Mr. Tang joined the Group as the general manager of Yantai Redco Development Co., Ltd. in August 2001, where he was responsible for the daily operation of this company. Mr. Tang was also successively appointed as the general manager of Jiangxi Man Wo Property Development Co., Ltd., Jiangxi Redco Property Development Co., Ltd., Redco Development (Jiangxi) Co., Ltd., Shandong Redco Real Estate Development Co., Ltd. and vice president of Redco (China) Real Estate Co., Ltd. from May 2006 to February 2012, where he was responsible for daily operation of these companies and overseeing various projects. He is also currently a director of many our subsidiaries. Prior to joining the Group, Mr. Tang was employed by Jiangsu Province Supply and Marketing Cooperative Real Estate Development Company (江蘇省供銷社房地產開發公司), a company primarily engaged in property development from March 1993 to August 2001 and his last position was deputy general manager and deputy director of department of economic development. Mr. Tang received a bachelor' s degree in engineering from Shenyang Institute of Architectural Engineering (瀋陽建築工程學院) in the PRC in July 1986.

Independent non-executive Directors

Dr. WONG Yau Kar, David GBS, BBS, JP (黃友嘉博士) ("Dr. Wong"), aged 60, has been an independent non-executive Director since 14 January 2014. Dr. Wong is a member of each of the audit committee of the Company (the "Audit Committee") and the Nomination Committee. Dr. Wong received a doctorate degree in Economics from the University of Chicago in 1987. Dr. Wong has extensive experience in manufacturing, direct investment and international trade.

Dr. Wong is active in public service. He is a Hong Kong deputy of the 13th National People' s Congress of the People' s Republic of China (第十三屆全國人民代表大會). He is also the Chairman of the Mandatory Provident Fund Schemes Authority. Dr. Wong was appointed a Justice of Peace (JP) in 2010 and was awarded a Gold Bauhinia Star (GBS) and Bronze Bauhinia Star (BBS) in 2017 and 2012 for his valuable contribution to the society.

Dr. Wong is currently an independent non-executive director of Huayi Tencent Entertainment Company Limtied (Stock code: 419), Concord New Energy Group Limited (Stock code: 182), Shenzhen Investment Limited (Stock code: 604), Sinopec Kantons Holdings Limited (Stock code: 934) and Guangnan (Holdings) Limited (Stock code: 1203). The shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dr. Wong was an independent non-executive director of Yunfeng Financial Group Limited (Stock Code: 376) during the period from December 2012 to 3 November 2017.

Mr. CHAU On Ta Yuen (周安達源先生) ("Mr. Chau"), aged 70, has been an independent non-executive Director since 14 January 2014. Mr. Chau is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Chau received a bachelor' s degree in Chinese language and literature from Xiamen University (廈門大學) in August 1968 in the PRC. Mr. Chau is currently a member of the Thirteenth National Committee of the Chinese People's Political Consultative Conference, and the vice chairman of the Ninth board of directors and chief secretary of the Hong Kong Federation of Fujian Association. Mr. Chau was also awarded the Silver Bauhinia Star by the government of Hong Kong Special Administrative Region in July 2016.

Mr. Chau is currently a non-executive director and honorary chairman of China Ocean Shipbuilding Industry Group Limited (Stock code: 651), an executive director and chairman of ELL Enviornmental Holdings Limited (Stock code: 1395), and independent non-executive director of Good Fellow Resources Holdings Limited (Stock code: 109), Come Sure Group (Holdings) Limited (Stock code: 794) and independent non-executive director of Hua Long Jin Kong Co. Ltd (Stock code: 1682). The shares of which are listed on the Main Board of the Stock Exchange.

Mr. YIP Tai Him (葉棣謙先生) ("Mr. Yip"), aged 47, has been an independent non-executive Director since 14 January 2014. Mr. Yip is the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Yip received a bachelor of arts (hons) degree in accountancy from the City Polytechnic of Hong Kong, now known as the City University of Hong Kong in September 1993 in Hong Kong. He has been a practising accountant in Hong Kong since 1999. Mr. Yip was admitted as a member of the Association of Chartered Certified Accountants in the United Kingdom and the Institute of Chartered Accountants in England and Wales in September 1996 and January 2006, respectively. He has approximately 22 years of experience in accounting, auditing and financial management. Mr. Yip is currently an independent non-executive director of the following companies, the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Yip is currently and independent non-executive independent director of China Communication Telecom Service Company Limited (stock code: 8206), GCL-Poly Energy Holdings Limited (Stock code: 3800), Bisu Technology Group International Ltd (Stock code: 1372), Sino Golf Holdings Ltd. (Stock code: 361). The shares of which are listed on the Main Board/GEM board of the Stock Exchange. Mr. Yip was an independent non-executive director of the following companies, the shares of which are listed on the Main Board of the Stock Exchange:

Companies	Duration
China Star Cultural Media Group Limited (Stock Code: 8172)	December 2008 to April 2015
Vinco Financial Group Limited	May 2008 to August 2016
New Wisdom Holding Co. Ltd (Stock Code: 8213)	November 2016 to February 2018

Mr. CHOW Kwong Fai, Edward JP (周光暉先生) ("Mr. Chow"), aged 65, has been an independent non-executive Director since 14 January 2014. Mr. Chow is the chairman of the Audit Committee. Mr. Chow received a bachelor's degree in business studies from Middlesex University (formerly known as Middlesex Polytechnic) in the United Kingdom in 1975. Mr. Chow is a fellow and former council member of The Institute of Chartered Accountants in England and Wales and a past president of the Hong Kong Institute of Certified Public Accountants (HKICPA). Before elected president, he chaired the HKICPA's Corporate Governance Committee and Professional Accountants in Business (PAIB) Committee. He was a Deputy Chairman of The Hong Kong Institute of Directors from 2001 to 2008 and the Chairman of the PAIB Committee of the International Federation of Accountants (IFAC) from 2006 to 2008. Mr. Chow is currently a core member of the OECD/World Bank Asian Corporate Governance Roundtable, the Chairman of China Infrastructure Group, a non- executive director of the Urban Renewal Authority, a council and court member of the University of Hong Kong, an Honorary Advisor of the Business and Professionals Federation of Hong Kong. He was also a standing member of the Eleventh Zhejiang Province Committee of the Chinese People's Political Consultative Conference, a member of the Election Committee of the Hong Kong Special Administrative Region and an expert advisor of the Accounting Standards Committee of the Ministry of Finance, the People's Republic of China. Mr. Chow is currently an independent non-executive director of Melco International Development Limited (Stock Code: 200) and China Aircraft Leasing Group Holding Limited (Stock Code: 1848).

Prior to entering the commercial sector, Mr. Chow spent 11 years working for two major accounting firms, Deloitte Haskins & Sells and Price Waterhouse (as they were then known), respecitvely in London and Hong Kong. Mr. Chow was appointed as a Justice of Peace by the Chief Executive of the Hong Kong Special Adminstrative Region in July 2008 and was also an awardee of the Directors of the Year Award 2010 in the non-executive director of listed companies (SEHK — Hang Seng Index Constituents) category, awarded by the Hong Kong Institute of Directors.

Save as disclosed above, none of the Directors has been involved in any of the events described under Rule 13.51(2) (h) to (v) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2017.

Save as disclosed above, none of the Directors have held any directorship in any public company listed in Hong Kong or overseas in the past three years.

SENIOR MANAGEMENT

Ms. Wang Shuyu (王曙煜女士) ("Ms. Wang"), aged 45, joined the Group in November 2016. She is the Assistant Presidents of the Group where she is responsible for the operation, information management and public relations of the Group. Ms. Wang has over 22 years of experience in real estate marketing and corporate operations management. Prior to joining the Group, she worked as the Vice President in charge of brand marketing in China Aoyuan Property Group Limited, a company listed on the Stock Exchange (stock code: 3883) for the period from 2010 to 2015. Previously, she has held various senior positions in China Overseas (stock code: 688), Wanda Group and other different reputable real estate companies, and has accumulated substantial experience in property development and management. Ms. Wang was awarded a diploma in Laws by Hunan University in China in 2004.

Mr. Zhang Xiaohua (張小華先生) ("Mr. Zhang"), aged 47, is the Assistant President and Chief Architect of the Group. Mr. Zhang has joined the Group since December 2016. He is responsible for the overall management on planning, construction, landscaping and interior design and techniques of the Group's development projects. Prior to joining the Group, Mr. Zhang has worked for several reputable architectural design and real estate development enterprises in China, with extensive experience in professional techniques and integrated management. Mr. Zhang is a national first-class registered architect. Mr. Zhang was awarded a Bachelor's degree in Engineering from Northwestern Polytechnic University in China in July 1993.

Ms. LIANG Wanchan (梁婉嬋女士) ("Ms. Liang"), aged 40, is the Assistant President of the Group and the general manager of the Financial Management Center and the general manager of the Financing Management Center of the Group where she is responsible for financial, financing and internal control compliance. She has over 14 years of experience in corporate finance and internal auditing. Ms. Liang joined the Group as the chief financial officer of Redco (China) Real Estate Co., Ltd. in November 2010 and she has been responsible for the corporate finance and accounting of the Group. Prior to joining the Group, she had served as assistant director of finance and investment management department of Hopson Development Holdings Limited (合生創展集團有限公司), a company listed on the Stock Exchange (stock code: 754), from September 2002 to October 2010, during which she was responsible for financial management of the group. Ms. Liang received a bachelor s degree in economics from the Renmin University of China in the PRC in July 2000.

Mr. Liang Huaijiang (梁懷江先生) ("Mr. Liang"), aged 46, joined the Group in August 2016. He is the General Manager of the Marketing Management Center where he is responsible for the marketing management affairs of the Group. Mr. Liang has over 18 years of experience in real estate marketing and management. Prior to joining the Group, he has held various positions in management and sales in different real estate consulting and development companies, and has accumulated substantial experience in real estate management and marketing. Mr. Liang was awarded a Master's degree in Administrative Management by the Chinese People's University in China in 2007.

Mr. Chen Pengfei (陳鵬飛先生) ("Mr. Chen"), aged 37, joined the Group in April 2016. He is the General Manager of the Cost Management Center of the Group where he is responsible for the Group's cost management and tender procurement management. He also assists in managing some affairs in Operations Management Center. Mr. Chen has accumulated over 14 years of experience in cost management and tender procurement management area. Prior to joining the Group, he served as the General Manager of Cost Management Center of Shenzhen Yitian Group* (深圳市益田集團) where he was responsible for the cost management and tender procurement of the whole group, and has accumulated extensive management experience in cost management as well as tender procurement. Mr. Chen received a Bachelor's degree in Management from Sichuan University in 2003.

* *for identification purpose only.*

Ms. Pan Yuxia (潘玉霞女士) ("Ms. Pan"), aged 50, joined the Group in 2006. She is the deputy general manager of the Redco Nanchang Company* (南昌力高公司). Ms. Pan has extensive experience in business operation management and investment development. She is currently responsible for the operation management affairs of the hotel business section of the Group. She also assists in the Group' s land development expansion affairs. Prior to joining the Group, Ms. Pan served as the department manager of nonferrous metal department of Jiangxi Provincial Metals and Minerals Import and Export Corporation from September 1989 to December 2005, where she is responsible for import and export business of nonferrous metals. Ms. Pan received a Bachelor' s Degree in Economics from Jiangxi University of Finance and Economics in PRC in 1989 and a Master' s Degree in Business Administration from Hebei University of Technology in PRC in January 2007.

Company Secretary

Mr. CHAN Hing Chau (陳慶疇先生) ("Mr. Chan"), aged 38, has been our company secretary since 28 October 2013. Mr. Chan is the authorised representative of the Company. Mr. Chan joined the Group as the general manger of finance department of Redco Holdings (Hong Kong) Co., Limited in March 2013. Prior to joining the Group, Mr. Chan was with PricewaterhouseCoopers from December 2004 to March 2013, during which he was promoted to a manager of assurance department. Mr. Chan obtained his bachelor' s degree of arts in accountancy from The Hong Kong Polytechnic University in November 2004 in Hong Kong. He was also qualified as a member of Hong Kong Institute of Certified Public Accountants in July 2008.

* *for identification purpose only.*

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2017 (the "**Review Period**").

Maintaining high standards of business ethics and corporate governance has always been one of the Group's prime tasks. It believes that conducting the Group's businesses in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of its Shareholders.

(A) CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as its own code to govern its corporate governance practices. The Company has been conducting its business according to the principles of the CG Code set out in Appendix 14 to the Listing Rules during the year ended 31 December 2016.

During the year ended 31 December 2017, the Company has complied with the code provisions of the CG Code with the exception of Code Provision A.2.1 during the period from 1 January 2017 to 8 March 2017 as set out in the paragraph headed "Chairman and Chief Executive" below.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining and improving a high standard of corporate governance practices.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. In response to a specific enquiry made by the Company, all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2017.

(C) DIRECTORS

Board Composition

The Board currently consists of seven Directors, comprising three executive Directors and four independent non-executive Directors. As at the date hereof, the composition of the Board is set out as follows:

Executive Directors

Mr. Wong Yeuk Hung (appointed on 9 March 2017)
Mr. Huang Ruoqing
Mr. Tang Chengyong
Mr. Hong Duxuan (resigned on 9 March 2017)

Independent non-executive Directors

Dr. Wong Yau Kar, David GBS, BBS, JP
Mr. Chau On Ta Yuen SBS, BBS
Mr. Yip Tai Him
Mr. Chow Kwong Fai, Edward, JP

The biographical information of the Directors and the relationships between the members of the Board are set out and disclosed in the section headed "Directors and Senior Management Profiles" of this annual report.

Roles and Responsibilities

The Board is responsible for determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Directors must dedicate sufficient time and attention to the Group' s affairs. Besides, the Company also requested all Directors to disclose to the Company annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

Attendance Records of the Directors

At the Board meetings, the Directors discussed and formulated overall strategies for the Company, discussed and approved the financial budgets, annual results, dividends and other significant transactions of the Group. Issues relating to the daily management and operations of the Group have been delegated to the management of the Group.

Notices of Board meetings were given to all Directors at least 14 days prior to the meetings and all Directors are entitled to include items which they think fit for discussion in the agenda of the meetings.

Draft and final versions of the minutes of the Board and the committees' meetings were sent to the Directors and the committees' members for their comment and records respectively in a timely manner.

The individual attendance record of each director at the meetings of the Board, the Nomination Committee, Remuneration Committee, Audit Committee and the general meeting of the Company held during the Review Period is set out below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual general meeting held on 23 June 2017
Number of Meetings	4	2	1	1	1
Executive Directors					
Mr. WONG Yeuk Hung (Note 1)	3/4	N/A	N/A	N/A	1/1
Mr. HUANG Ruoqing	4/4	N/A	1/1	1/1	1/1
Mr. TANG Chengyong	4/4	N/A	N/A	N/A	1/1
Mr. HONG Duxuan (Note 2)	1/4	N/A	N/A	N/A	N/A
Independent Non-executive Director					
Dr. WONG Yau Kar, David BBS, JP	4/4	2/2	1/1	N/A	1/1
Mr. CHAU On Ta Yuen	3/4	2/2	1/1	1/1	1/1
Mr. YIP Tai Him	4/4	2/2	N/A	1/1	1/1
Mr. CHOW Kwong Fai, Edward JP	4/4	2/2	N/A	N/A	1/1

Note 1: Mr. WONG Yeuk Hung was appointed as an executive Director on 9 March 2017. The board meeting which he did not attend was held before his appointment.

Note 2: Mr. HONG Duxuan resigned on 9 March 2017. The board meetings which he did not attend were held after his resignation.

Apart from the regular Board meeting, Mr. Huang Ruoqing, the president of the Company, also held one meeting with the independent non-executive Directors without other executive Directors present during the year ended 31 December 2017.

Independence of the independent non-executive Directors

During the year ended 31 December 2017, in compliance with the requirement of Rule 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors in the Board, representing more than half of the Board, with two of them possessing appropriate professional qualifications or accounting or related financial management expertise. Based on the foregoing, the Board considers that the balance between executive Directors and independent non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of Shareholders and the Group as a whole.

The Company has received from each of the independent non-executive Directors a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors independent. The Board believes that there is a strong independent element in the Board to safeguard the interest of Shareholders.

All Directors, including independent non-executive Directors, are clearly identified in all corporate communications of the Company. A list of Directors is available on the websites of the Company and the Stock Exchange and will be updated, where necessary.

Induction and Development

Directors must keep abreast of their collective responsibilities. All Directors received an induction package covering the regulatory obligations of a director of a listed company. The Company also plans to provide briefings and other training to develop and refresh the Directors' knowledge and skills. The Company shall provide (a) the Directors the update on the material changes to the Listing Rules and other applicable regulatory requirements; and (b) the employees of the Group abreast of updates in the anti-bribery laws and regulations. The Directors shall participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Circulars and guidance notes may be issued to Directors and senior management of the Company where appropriate, to ensure awareness of best corporate governance practices.

The Company has put in place an on-going training and professional development programme for Directors. During the year ended 31 December 2017, all Directors received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters. All Directors provided the Company with their respective training records pursuant to the CG Code.

(D) CHAIRMAN AND CHIEF EXECUTIVE

The Company complied with all the code provisions of the Corporate Governance Code with the exception of Code Provision A.2.1 from 1 January 2017 to 8 March 2017. Pursuant to Code Provision A.2.1, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. From 1 January 2017 to 8 March 2017, the Company did not have a Chairman, Mr. Huang Ruoqing acted as President and was responsible for the day-to-day management and operations of the Group. The Board believed that the absence of a Chairman did not have any adverse effect to the Company, as decisions of the Company were made collectively by the Board as a whole. Mr. Wong Yeuk Hung was appointed as the Chairman of the Group with effect from 9 March 2017.

(E) ELECTION OF DIRECTORS

Each of the independent non-executive Directors entered into a letter of appointment with the Company for a term of three years with effect from 30 January 2017. Whereas, Mr. Wong Yeuk Hung entered into a service contract with the Company under which they agreed to act as executive Director for an initial term of three years commencing from March 2017 and Mr. Huang Ruoqing and Mr. Tang Cheng Yong entered into a service contract with the Company under which they agreed to act as executive Directors for three years commencing from January 2017.

Code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. Three Directors will retire, and being qualified, have offered to be re-elected at the annual general meeting of the Company to be held on Wednesday, 9 May 2018 (the "Annual General Meeting").

(F) BOARD COMMITTEES

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

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

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 on compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct applicable to Directors, senior management and employees of the Company; and

e) to review the Company's compliance with the CG Code and disclosure in this report.

During the year ended 31 December 2017, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in 2016 corporate governance report of the Company.

In compliance with the CG Code, the Company established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Those committees perform their distinct roles in accordance with their respective terms of reference which are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company established an Audit Committee on 14 January 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. As at the date hereof, the Audit Committee consists of four independent non-executive Directors, namely Mr. Chow Kwong Fai, Edward, JP (being the chairman of the Audit Committee who has a professional qualification in accountancy), Mr. Yip Tai Him, Dr. Wong Yau Kar, David GBS, BBS, JP and Mr. Chau On Ta Yuen SBS, BBS. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting system, risk management and internal control systems of the Group, to oversee the audit process, to develop and review the policies of the Group and to perform other duties and responsibilities as assigned by the Board. In particular, the Audit Committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

During the year ended 31 December 2017, two meetings of the Audit Committee were held to review annual results and report for the year ended 31 December 2016, interim financial results and report for the six months ended 30 June 2017, appointment of external auditors, the internal control of the Group and the amendments to the terms of reference of the Audit Committee in accordance with the amendments to Appendix 14 of the Listing Rules with effect from 1 January 2017. The external auditors attended the meetings. The attendance records of the Audit Committee are set out in the section headed "Attendance Records of the Directors".

Remuneration Committee

The Company established a Remuneration Committee on 14 January 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the CG Code. The Remuneration Committee consists of three members, being Mr. Yip Tai Him, Mr. Chau On Ta Yuen and Mr. Huang Ruoqing, two of whom are independent non-executive Directors. The Remuneration Committee is chaired by Mr. Yip Tai Him. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding the policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants, if any, pursuant to the Share Option Scheme.

There is one meeting of the Remuneration Committee held during the year ended 31 December 2017 to review and make recommendations to the Board on the existing remuneration packages of all Directors and senior management. The attendance records of the Remuneration Committee are set out in the section headed "Attendance Records of the Directors".

The remuneration of senior management of the Company was within the following bands:

	Number of individuals	
The emolument bands (in RMB)	2016	**2017**
0-1,000,000	9	**10**
1,000,001-2,000,000	4	**3**

Nomination Committee

The Company established a Nomination Committee on 14 January 2014 with written terms of reference. The Nomination Committee consists of three members, being Mr. Huang Ruoqing, Mr. Wong Yau Kar, David BBS, JP and Mr. Chau On Ta Yuen. Two of the members are the independent non-executive Directors. The Nomination Committee is chaired by Mr. Huang Ruoqing. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board.

There is one meeting of the Nomination Committee held during the year ended 31 December 2017 to assess the independence of independent non-executive Directors and review the re-appointment of Directors at the annual general meeting held on 23 June 2017. The attendance records of the Nomination Committee are set out in the section headed "Attendance Records of the Directors".

Further, the board diversity policy (the "**Policy**") was adopted by the Company on 28 January 2014. The purpose of the Policy is to set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee shall review the policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the Board.

On 28 January 2014, the Board discussed the above measurable objectives, including but not limited to skills, knowledge, professional experience and cultural and educational background, and agreed that these measurable objectives were achieved for the diversity of the Board which contributed to the corporate strategy and the business development of the Company.

(G) AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced and clear assessment of the Group's performance and prospects. The Directors acknowledged their responsibility for preparing the accounts of the Company for the year ended 31 December 2017.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going-concern basis.

A statement by the auditor of the Company in respect of their reporting responsibilities on the financial statements of the Group is set out in the independent auditor' report from page 56 to page 60.

The remuneration paid to PricewaterhouseCoopers, the Company's auditor for the year ended 31 December 2017 amounted to RMB3,764,000 in respect of the audit and interim review service and RMB519,000 for non-audit services during the year under review.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

(H) RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's risk management and internal control systems and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate risks of failure to achieve the business objectives of the Group and to only provide reasonable and not absolute assurance against material misstatement or loss.

During the 2017 reporting period, the Board supervised the management's design, implementation and monitoring of the risk management and internal control systems, and reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group on an ongoing basis; such review covered all major control aspects of the Group, including financial, operational and compliance controls.

The Group's risk management and internal control systems covered each operation department, to ensure that the Group could effectively manage the key factors that might affect the Group in achieving its strategic objectives, such factors including events, accidents or behaviors with a material impact on the Group's reputation, assets, capital, profit or liquidity.

The Company has established three layers structure for risk management. In the risk governance structure, the first layer consists of the business departments of project company and responsible individuals, with the Group's business and functional centers serving as the second layer and the internal audit team as the final layer. The first layer bears risks and responsible for the direct responsibility for risk management and it identifies, measures and controls the risks in respective business fields and operating activities. The second layer formulates rules and standards as business guidance to subsidiaries/business units, and supervises their execution to ensure that risk management takes place for the Group, with continuous control of relevant work. The third layer is responsible for monitoring, with an emphasis on providing independent monitoring over the effectiveness of the Group's risk solutions and measures by combining the monitoring over the risk management and internal control systems.

In accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules, the Group shall disclose to the public any insider information as soon as possible after such information comes to the attention of the Group, unless such information is within the scope under any safe harbours provision in the Securities and Futures Ordinance. The Group will ensure such information will be kept confidential before it is fully announced to the public. If the Group considers that the confidentiality required cannot be kept, or such information may have leaked already, such information will be disclosed to the public immediately. We also endeavour to ensure that the information contained in the announcement shall not be deceptive or misleading in all material aspects, and there are no other material matters the omission of which would make the information contained therein to be deceptive or misleading, such that the insider information disclosed can be made available to the public in an equal, timely and effective manner. In addition, if there occurs any significant risk events, the related information will be disclosed to appropriate authorities and personnel, so that appropriate decisions and measures can be made and implemented by the Group to deal with such risk events. Meanwhile, in order to further develop the risks management culture of the enterprise, as well as to enhance the risk awareness of our staff, the Group has already rolled out training programs to enhance the risk awareness of our staff, so that we can assure to maintain the balance between business expansion and risks management in our operation.

The Group's internal audit team plays an important role in monitoring the internal governance of the Company. The team mainly monitors and reviews the matters relating to the internal control and compliance of the Company, and provides regular risk-oriented internal audits for its branches and subsidiaries. The internal audits cover project obtainment, procurement tendering, sales, financial reporting and information security and so on. The internal audit team reports to the Board twice a year. The Board, through the Audit Committee, has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee has received a report of risk management and internal control prepared by the internal audit team, and has considered that the risk management and internal control systems remain adequate and effective throughout the year ended 31 December 2016 with no material issues to be brought to the Board's attention.

(I) COMPANY SECRETARY

The Company appointed Mr. Chan Hing Chau as its company secretary. Mr. Chan has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training. The biographical details of Mr. Chan are set out on page 21 of this annual report.

Mr. Chan is an employee of the Company. He is also the General Manager of Finance Department of Redco Holdings (Hong Kong) Co., Limited which is the wholly-owned subsidiary of the Company.

(J) SHAREHOLDERS' RIGHT

Procedures for Shareholders to convene an extraordinary general meeting

- Any 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 (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (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, including making proposals or moving a resolution at the extraordinary general meeting.

- Eligible Shareholders who wish to convene an extraordinary general meeting for the purpose of making proposals or moving a resolution at the extraordinary general meeting must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the special general meeting, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of each Eligible Shareholder will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an extraordinary general meeting within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the extraordinary general meeting after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an extraordinary general meeting and/or include the proposal or the resolution proposed by the Eligible Shareholder at the extraordinary general meeting.

- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such extraordinary general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Enquiries to the Board

Shareholders may put forward their written enquiries to the Board. In this regard, Shareholders may send those enquiries or requests as mentioned to the following:

Address:	Room 2001-2, Enterprise Square 3 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong
Fax:	(852) 2758 8392
Telephone:	(852) 2331 2839

Procedures for putting forward proposals at general meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, Shareholders who wish to propose resolutions may follow Article 64 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures are set out in the section headed "Procedures for Shareholders to convene an extraordinary general meeting" in this report.

(K) INVESTOR RELATIONS

The management of the Company believes that effective and proper investor relations play a vital role in creating Shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company has adopted a stringent internal control system to ensure true, accurate and complete disclosure of information. The management of the Company has proactively taken and will continue to take the following measures to ensure effective Shareholders' communication and transparency:

- the President of the Company, the respective chairmen of Audit Committee, Remuneration Committee, Nomination Committee, or, in their absence, other members of the respective committees, will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries;
- regularly update the Company's news and developments of the Company's website;
- arrange on-site visits to the Group's projects for potential investors and research analysts.

Through the above measures, the Company endeavors to communicate with the investment community and provide them with the latest development of the Group and the PRC real estate industry. The Company will disclose information in compliance with the Listing Rules, and publish periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

There was no significant change in the Company's constitutional documents during the year ended 31 December 2017. Should there be such significant changes in the constitutional documents, the Company shall upload the revised version onto the websites of the Stock Exchange and the Company in due course.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in the property development business in the People's Republic of China. During the year, there were no significant changes in the nature of the Group's principal activities.

The activities of the subsidiaries of the Company are set out in Note 13a to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW

Overview

The Group is an integrated property developer focusing on mid-to-high-end residential and commercial property development in the PRC. The Group has been upholding the brand philosophy of signature architecture for innovation and enjoyable life (精端著造,創享生活) and has adopted our multi-regional strategy through its sound and pragmatic approach to business, the forward-looking plans for strategic investment, quality products and operational efficiency. As at the date of this announcement, the Group has become an integrated developer with competitiveness and regional brand recognition.

Following the execution of the investment strategy of expansion into first-tier cities of the PRC and further development into the strategically targeted second-tier cities of the PRC (大力拓展一線城市、深耕已進入的強二線城市), the Group has successfully established its presence in various key cities with high growth potential for development in the Guangdong-Hong Kong-Macau Greater Bay, the Yangtze River Delta Region and the Bohai Rim, including Shenzhen, Zhongshan, Shanghai, Tianjin, Hefei, Nanchang, Jinan, Yantai and so forth, as well as core node cities in the Central and Western China, such as Xian.

For the year ended 31 December 2016 and 2017, the Group recorded a revenue of RMB5,270.1 million and RMB6,734.1 million respectively. Profit attributable to owners of the Company for the year ended 31 December 2016 and 2017 was RMB450.8 million and RMB862.2 million, respectively. The increase in revenue is mainly attributable to the increase of gross floor area (**"GFA"**) delivered.

The Group has consistently adopted a prudent financial strategy to maintain a reasonable capital structure and gearing level. As at 31 December 2017 and 31 December 2016, the Group's cash and cash equivalents were RMB3,587.1 million and RMB2,417.2 million, respectively and the net gearing ratio was 33.7% and 0.8%, respectively.

The Group has been adhering to the strategy of forming alliance(s) with state-owned enterprise(s) with strong capabilities, provision of professional management experience and acquiring quality land to achieve product quality and operational efficiency. The Group acquires land through a flexible combination of bidding, auction and listing-for-sale, the acquisition and merger of new projects and urban renewal so as to ensure that the Group has the ability to support its expansion and primary land development.

With our improving capability of corporate governance, the Group adopted innovative strategies in sales and investment in 2017, leading to a new record of our sales turnover and our continuous and upward trend of development.

Strengthening land bank and the ability of continuous development

In the year, the Group has successfully established our presence in Zhongshan of Guangdong and Ganzhou of Jiangxi, and achieved leading positions in markets that we entered in, such as Jinan of Shandong, Xian of Shanxi, Nanchang of Jiangxi, Hefei of Anhui and Quanzhou of Fujian. Our strategic layout of investment was implemented in order, expanding our territories of business.

Our financial prudence being recognized by capital markets

Leveraging on our healthy financial position and substantial potential of growth, our Company was selected as a constituent of the "Composite SmallCap Index of the Hang Seng Composite Index" in August, as one of the stock trading under Shenzhen Connect in September and as a constituent of the MSCI China SmallCap Index in November in the year, reflecting the recognition of capital markets to our investment value and business.

Promoting diversification of business development through innovation

In the year, the Group entered into cooperation with an international renowned brand of health management, in order to introduce a new model of "medical and pension connected with health management" in the society to our projects. As a result, Redco CP Medical Care and Pension Centre in Nanchang has had its soft opening. Such diversified business was a great collaboration between two different industries, and the property business value chain of the Group has been expanded successfully.

Products upgrade and sales increment

In the year, we demonstrated the advantage of products and sales collection of the Group. Royal Family, Nanchang and Sunshine Coast, Yantai were all sold out in 5 phrases of sales, reflecting our strength in sales and marketing. Meanwhile, the Group has upgraded its product mix, for instance, our leisure resort featured with oriental culture, The Redco • Garden of Spring, was first showcased.

Enhancement of our brand and customer services

The Group has extended its brand enhancement in the year, so as to lay the foundation for multi-dimensional promotion of our brand. In order to enhance customers' perception, awareness and reputation of our brand, we organized the first open day at construction site in Nanchang, Jiangxi and it was well received by participants. The event has become a remarkable achievement of our customer service enhancement.

Following many years of establishing and strengthening the Group's brand, the Board considers that the Group has successfully established the "Redco" brand in the cities where we have put efforts in development:

- In 2017, the Group was recognised as "Top 100 Comprehensive Strength Listed Real Estate Enterprise of China for 2017" (2017年中國房地產上市公司綜合實力100強)by China Real Estate Association (中國房地產業協會).
- In 2016, the Group was recognised as "the Most Valuable Listed Real Estate Enterprise of China for 2016" (2016中國最具價值地產上市企業) by Guandian.cn (觀點地產新媒體).
- In 2016 to 2018, the Group was recognised for consecutive three years as "Listed Companies with the Most Growth Potential of 2015" (2015最具潛力上市公司大獎) "Listed Companies with the Most Growth Potential of 2016" (2016最具潛力上市公司大獎) and "Listed Companies with the Most Growth Potential 2017" (2017最具潛力上市公司大獎) by China Financial Market (中國融資) which is based in Hong Kong.
- In 2016, the Group was recognised as "Top 100 Real Estate Developers of China for 2015" (2015年度中國房地產卓越100) and "Top 100 Real Estate Developers with Brand Value of China for 2015" (2015年度中國房地產品牌價值卓越100) by Guandian.cn (觀點地產新媒體).

- In 2015, the Group was recognised as "2015 Top 10 Hong Kong Listed Domestic Developers Worthy of Investment" (2015中國大陸在港上市房地產公司投資價值TOP 10) by the Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院).
- In 2015, the Group received the "2015 Highest Growth Value Award" (2015最具成長價值獎) from China Finance Summit Organising Committee (中國財經峰會組委會).
- In 2015, the Group was recognised as one of the "2015 Top 100 PRC Real Estate Companies" in terms of overall strength (2015年中國房地產業綜合實力100強) by Chinese Real Estate Federation (中國房地產業聯合會), China Industry Information Statistics Association (中國行業信息統計協會) and the Centrechina.com (焦點中國網).
- The Group was recognised as one of "Top 100 PRC Real Estate Developers" by the Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院) for four consecutive years since 2010.
- In 2013, the Group was recognised as "2013 Top 10 Brands of South China Real Estate Companies" (2013中國華南房地產公司品牌價值TOP 10) by the Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院).

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

As at 31 December 2017, the Group's property portfolio comprised 37 property development and investment projects with an aggregate GFA of 4,886,288.6 square metres (the "**sq. m.**") under various stages of development remaining unsold in various cities in the PRC. The following table sets forth a summary of our property development and investment projects as at 31 December 2017:

Project	Site area[1] *(sq. m.)*	Total GFA[2] *(sq. m.)*	Total GFA under various stages of development remaining unsold[3] *(sq. m.)*
NANCHANG			
Crown International 皇冠國際	53,673.2	271,040.4	—
Crowne Plaza Nanchang Riverside Hotel 力高皇冠假日酒店	4,636.7	57,986.8	57,986.8
Spain Standard 力高國際城	466,665.3	908,932.6	16,450.5
Riverside International 濱江國際	37,345.7	204,600.6	10,003.6
Bluelake County 瀾湖郡	135,285.0	286,794.7	23,189.7
Riverlake International 濱湖國際	68,373.0	205,846.3	15,021.1
Imperial Mansion 君御華府	41,993.3	109,826.6	12,891.9
Imperial Metropolis 君御都會	84,093.3	227,119.0	96,773.3
Bluelake International 瀾湖國際	47,151.0	177,260.7	136,873.4

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
Luxurious Royal 瀾湖御景	74,134.0	238,204.2	238,204.2
Royal Family 君御世家	120,984.0	211,117.6	211,117.6
The Garden of Spring 十里春風	30,378.0	15,859.5	15,859.5
GANZHOU			
Fifth Avenue 贛州第五大道	107,814.9	623,500.0	623,500.0
TIANJIN			
Sunshine Coast 陽光海岸	481,394.0	1,475,226.0	1,314,655.8
Land Lot Nos. A1 and A2 A1及A2號地塊	69,336.2	55,469.0	55,469.0
JINAN			
Redco International 力高國際	54,162.0	226,076.9	—
Splendid the Legend 盛世名門	51,675.2	205,813.6	973.4
Scenery Holiday 假日麗景	34,934.9	87,545.2	—
Bluelake County 瀾湖郡	68,066.0	237,534.7	142,091.4
Royal Family 君御世家	30,682.0	134,732.0	134,732.0

DIRECTORS' REPORT

Project	Site area[1] *(sq. m.)*	Total GFA[2] *(sq. m.)*	Total GFA under various stages of development remaining unsold[3] *(sq. m.)*
Imperial Mansion 君御華府	44,966.0	109,400.0	109,400.0
Redco Visionary 力高未來城	90,597.3	317,104.4	317,104.4
YANTAI			
Sunshine Coast - Phase I 陽光海岸一第一期	51,693.7	186,470.8	109,142.9
Sunshine Coast - Phase II 陽光海岸一第二期	21,371.0	68,241.9	68,241.9
Sunshine Coast - Phase III 陽光海岸一第三期	33,142.0	81,270.1	81,270.1
HEFEI			
Mix Kingdom Redco 力高 · 共和城	395,596.4	871,735.3	82,294.3
Prince Royal Family 君御世家	88,025.5	299,699.5	73,729.8
Royal International 君御國際	43,873.0	128,301.1	128,301.1
Bluelake City 瀾湖前城	76,058.8	228,000.0	228,000.0

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
XIANYANG Royal City - Phase I 御景灣 - 第一期	69,466.8	237,012.8	68,103.0
Majestic Mansion 天悅華府	88,319.8	171,000.0	171,000.0
SHENZHEN Royal International 力高君御花園	33,035.3	177,640.0	11,780.9
SHANGHAI Mingchang Building 明昌大廈	9,941.2	46,545.0	46,545.0
ZHONGSHAN Royal Family 君御世家	30,819.5	95,889.0	95,889.0
Bluelake Landmark 瀾湖峯景	28,112.5	75,414.0	75,414.0
QUAN ZHAU Bayview 觀悅灣	18,306.0	57,700.0	57,700.0
AUSTRALIA Prime	15,830.0	56,579.0	56,579.0
TOTAL			**4,886,288.6**

1. Information for "site area" is based on relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements (as the case may be).
2. "Total GFA" is based on surveying reports, construction works commencement permits and/or construction works planning permits or the relevant land grant contract and/or public tender, listing-for-sale or auction confirmation letter.
3. "Total GFA under various stages of development remaining unsold" include the GFA of the completed projects remaining unsold, GFA of projects under development and the GFA of projects for future development.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2017 increased by 27.8% to RMB6,734.1 million from RMB5,270.1 million for the year ended 31 December 2016. Such increase was primarily attributable to the increase in our GFA delivered for the residential property for Mix Kingdom Redco and Prince Royal Family in Hefei, Riverlake International, Bluelake County in Jinan and Sunshine Coast in Tianjin, and was partially offset by the decrease in the GFA delivered for Royal International in Shenzhen and Phase I of Sunshine Coast in Yantai. Total GFA delivered increased by 32.5% to 858,197 sq.m for the year ended 31 December 2017 from 647,822 sq. m for the year ended 31 December 2016. The increase in our total revenue was also offset by the decrease in the recognised average selling price (the "**ASP**") for the properties delivered in 2017. The ASP for properties delivered decreased to RMB7,370 for the year ended 31 December 2017 from RMB7,959 for the year ended 31 December 2016, representing a 7.4% decrease which was primarily due to the decrease in GFA delivered in Redco International in Shenzhen which recognised a relatively higher ASP as compared with other property development projects of the Group in 2016.

The following table sets out a breakdown of the Group's revenue, GFA delivered and recognised ASP by geographical segments:

	For the year ended 31 December					
	2017	2016	**2017**	2016	**2017**	2016
	Revenue (RMB' 000)		GFA Delivered (sq. m.)		Recognised ASP (RMB per sq. m.)	
Greater Western						
Taiwan Straits Economic Zone						
– Properties sales	**1,693,241**	2,463,369	**208,859**	334,950	**8,107**	7,354
– Project management services	**25,914**	—	**—**	—	**—**	—
Central and Western Regions	**2,731,163**	500,499	**395,956**	99,137	**6,898**	5,049
Bohai Economic Rim						
– Primary land development	**269,118**	25,000	**—**	—	**—**	—
– Construction service*	**109,324**	51,528	**—**	—	**—**	—
– Properties sales	**1,450,841**	677,143	**243,760**	96,304	**5,952**	7,031
Pearl River Delta Region	**449,731**	1,514,955	**9,622**	117,431	**46,741**	12,901
Others						
– Property management services	**—**	37,596	**—**	—	**—**	—
– Project management services	**4,735**	—	**—**	—	**—**	—
Total	**6,734,067**	5,270,090	**858,197**	647,822	**7,370**	7,959

* *Construction service represents the construction service provided by the Group in Jinan*

A summary of the segment results is set forth below:

- Greater Western Taiwan Straits Economic Zone: segment revenue for the Greater Western Taiwan Straits Economic Zone decreased by 30.2% to RMB1,719.2 million for the year ended 31 December 2017 from RMB2,463.3 million for the year ended 31 December 2016. Such decrease was primarily attributable to the decrease in GFA delivered for Bluelake County, Imperial Mansion and Imperial Metropolis in Nanchang.
- Central and Western Regions: segment revenue for the Central and Western Regions increased significantly by 445.7% to RMB2,731.2 million for the year ended 31 December 2017 from RMB500.5 million for the year ended 31 December 2016. Such increase was primarily attributable to the increase in the GFA delivered for Mix Kingdom Redco and Prince Royal Family in Hefei.
- Bohai Economic Rim: segment revenue for the Bohai Economic Rim increased by 142.7% to RMB1,829.3 million for the year ended 31 December 2017 from RMB753.7 million for the year ended 31 December 2016. Such increase was primarily due to the increase in the GFA delivered for Sunshine Coast in Tianjin and additional revenue recognised in the sea reclamation work in Tianjin.
- Pearl River Delta Region: segment revenue for the Pearl River Delta Region decreased by 70.3% to RMB449.7 million for the year ended 31 December 2017 from RMB1,515.0 million for the year ended 31 December 2016. Such decrease was mainly attributable to the decrease in the GFA delivered Royal International in Shenzhen.
- Others: It mainly represents our headquarters at Shenzhen and the revenue generated from the project management service.

Cost of sales

Cost of sales increased by 20.9% to RMB5,057.6 million for the year ended 31 December 2017 from RMB4,184.8 million for the year ended 31 December 2016. Such increase was primarily due to an increase in cost of properties sold as a result of (a) the increase in GFA delivered to 858,197 sq. m. for the year ended 31 December 2017 from 647,822 sq. m. for the year ended 31 December 2016; and (b) the decrease in average land acquisition cost per sq. m. delivered to RMB2,173 for the year ended 31 December 2017 from RMB2,711 for the year ended 31 December 2016. Such decrease in average land acquisition cost per sq. m. delivered was primarily due to the decrease in the GFA delivered for Royal International in Shenzhen (being a first-tier city) with a relatively high land acquisition costs.

Gross profit

Gross profit increased by 54.5% to RMB1,676.4 million for the year ended 31 December 2017 from RMB1,085.3 million for the year ended 31 December 2016. Our gross profit margin increased to 24.9% for the year ended 31 December 2017 from 20.6% for the year ended 31 December 2016. Such increase was primarily attributable to the lower average land acquisition cost and construction cost as the decrease in the GFA delivered in Royal International in Shenzhen.

Other (losses)/gains, net

Other (losses)/gains, net decreased to loss of RMB15.8 million for the year ended 31 December 2017 from gain of RMB171.2 million for the year ended 31 December 2016. Such decrease was primarily attributable to the exchange losses for RMB33.9 million for year ended 31 December 2017 which in 2016 is exchange gain for RMB28.3 million and the decrease in the gain on disposal of subsidiaries from RMB123.0 million to RMB1.6 million for year ended 31 December 2017.

Selling and marketing expenses

Selling and marketing expenses increased by 33.3% to RMB195.5 million for the year ended 31 December 2017 from RMB146.6 million for the year ended 31 December 2016. Selling and marketing expenses mainly represent expenses incurred in the promotion of our properties and the sales commission to the sales agents. Such increase was mainly due to the increase in the marketing promotion activities for the projects and the increase in the sales agency fee as the increase in the contracted sales, which we have commenced, or will commence sales next year.

General and administrative expenses

General and administrative expenses increased by 41.7% to RMB233.5 million for the year ended 31 December 2017 from RMB164.8 million for the year ended 31 December 2016. Such increase was primarily due to the increase in office and travelling expenses due to the increase in the number of project which are located in different cities.

Fair value gain on an investment property

The fair value gain on an investment property represents the increase in the value on the commercial portion of the culture park which are under construction in Tianjin. Management consider such commercial portion are going to be held by the company and to be leased out after completion, therefore the cost of the commercial portion has transferred to investment property during the year ended 31 December 2017 and resulted in a fair value gain.

Impairment of goodwill

The impairment of goodwill was RMB49.5 million for the year ended 31 December 2017 (year ended 31 December 2016: Nil). Such goodwill mainly represents certain premium paid in connection with our acquisition of an 80% equity interest in Changfeng Lianhua Real Estate Co., Ltd. ("**Changfeng**"), which holds Mix Kingdom Redco in Hefei. The Directors performed impairment assessment of such goodwill and the increase in the impairment of goodwill primarily due to most of the GFA were delivered in Mix Kingdom during year ended 31 December 2017.

Operating profit

As a result of the foregoing, operating profit increased by 63.1% to RMB1,541.2 million for the year ended 31 December 2017 from RMB945.2 million for the year ended 31 December 2016.

Finance income

Finance income increased by 192.3% to RMB44.7 million for the year ended 31 December 2017 from RMB15.3 million for the year ended 31 December 2016. Such increase was primarily attributable to the increase in finance income from loans to non-controlling interests in 2017.

Finance costs

Finance costs increased by 1,014.8% to RMB70.9 million for the year ended 31 December 2017 from RMB6.4 million for the year ended 31 December 2016. Such increase was mainly due to the increase in interest expense which is not eligible to be capitalised and the finance charge for the redemption of Senior Note due 2019 for RMB58.0 million.

Share of profit of investments accounted for using the equity method, net

Share of profit of investments accounted for using the equity method, net increased to RMB82.9 million for the year ended 31 December 2017 from RMB6.6 million for the year ended 31 December 2016. Such increase was primarily due to (i) the profit increased by the GFA delivery in Luxurious Mansion in Nanchang, which is a joint-controlled real estate development project and; (ii) the increase in share of profit in relation to the fair value gain from the investment property held by Redco Industry (Jiangxi) Co., Ltd..

Profit before income tax

As a result of the foregoing, profit before income tax for the year ended 31 December 2017 increased to RMB1,597.9 million from RMB960.7 million for the year ended 31 December 2016.

Income tax expense

Income tax expense increased by 49.7% to RMB607.7 million for the year ended 31 December 2017 from RMB406.0 million for the year ended 31 December 2016. Such increase was primarily due to the increase in EIT as a result of increased profit of the Group and the provision of the deferred tax for the fair value gain of the investment property and net-off by the decrease in LAT as a result of the decrease in general gross profit.

Profit for the year ended 31 December 2017

As a result of the foregoing, profit for the year ended 31 December 2017 increased by 78.5% to RMB990.1 million from RMB554.8 million for the year ended 31 December 2016. The profit for the year ended 31 December 2017 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB188.9 million, Central and Western Regions of RMB440.1 million, Bohai Economic Rim of RMB465.1 million, Pearl River Delta Region of RMB96.8 million which was partially offset by loss of Others segment for RMB200.8 million.

Profit for the year ended 31 December 2017 attributable to owners of the Company

As a result of the foregoing, profit for the year attributable to owners of the Company increased by 91.3% to RMB862.2 million for the year ended 31 December 2017 from RMB450.8 million for the year ended 31 December 2016. Profit attributable to non-controlling interests increased to RMB127.9 million for the year ended 31 December 2017 as compared with RMB104.0 million for the year ended 31 December 2016 which was mainly due to the profit from Royal International in Shenzhen and Mix Kingdom Redco in Hefei increased.

LIQUIDITY AND CAPITAL RESOURCES

Cash Position

The Group had cash and cash equivalents of approximately RMB3,587.1 million (31 December 2016: RMB2,417.2 million) and restricted cash of RMB1,318.5 million (31 December 2016: RMB1,186.3 million) as at 31 December 2017. As at 31 December 2017, the Group's cash and cash equivalents were denominated in Hong Kong dollar (**"HK$"**), RMB and United States dollar (**"US$"**).

Borrowings

As at 31 December 2017, the Group had borrowings of approximately RMB7,243.2 million (31 December 2016: RMB3,629.2 million).

	31 December 2017 RMB' 000	31 December 2016 RMB' 000
Long-term bank borrowings, secured	**3,982,100**	2,464,328
Senior Notes due 2019, secured	**—**	855,204
Non-current borrowings, secured	**3,982,100**	3,319,532
Short-term bank borrowings, secured	**472,300**	—
Senior Notes due 2018, secured	**1,622,697**	—
	2,094,997	—
Portion of term loan from bank, secured		
– due for repayment within one year, secured	**1,002,286**	90,100
– due for repayment within one year which contain a repayment on demand clause, secured	**24,500**	46,863
– due for repayment after one year which contain a repayment on demand clause, secured	**139,336**	172,737
Current bank borrowings, secured	**3,261,119**	309,700
Total borrowings	**7,243,219**	3,629,232

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's total borrowings at the respective balance sheet dates are set out below:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Amounts of borrowings repayable:		
– Within 1 year	**3,121,783**	136,963
– Between 1 and 2 years	**2,113,509**	845,143
– Between 2 and 5 years	**2,007,927**	2,647,126
	7,243,219	3,629,232

As at 31 December 2017, the Group's borrowings were denominated in RMB, HK$ and US$. As at 31 December 2017, the Group was exposed to foreign exchange risk primarily with respect to certain of its borrowings which were denominated in HK$ and US$. RMB experienced certain appreciation against HK$ during the year ended 31 December 2017 which is the main reason for the exchange differences recognised by the Group. The Group does not have a formal hedging policy and does not entered into any foreign currency exchange contracts or derivative transactions to hedge the foreign exchange risk.

OTHER PERFORMANCE INDICATORS

Net gearing ratio

As at 31 December 2017, the Group's net gearing ratio was 33.7% (31 December 2016: 0.8%). Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing less cash and bank balance (including cash and cash equivalents and restricted cash). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

Net current assets and current ratio

As at 31 December 2017, the Group's net current assets amounted to approximately RMB6,637.2 million (31 December 2016: RMB6,192.7 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.6 times as at 31 December 2017 (31 December 2016: 1.8 times).

Cost of borrowings

The Group's average cost of borrowings (calculated by dividing total interest expenses incurred or capitalised by average borrowings during the relevant period) decreased to 7.49% per annum in 2017 from 8.55% per annum in 2016.

CONTINGENT LIABILITIES

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities as at the dates below:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	6,052,438	5,100,315

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure their obligations of such purchasers for repayment. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificates to the purchasers which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is obliged to repay the outstanding mortgage principal together with accrued interest and penalties owned by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and to take over the possession of the related properties. The Group's guarantees period starts from the date of grant of mortgage. The Directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the fair value of financial guarantees is immaterial.

There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings as at 31 December 2017. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total of approximately 950 employees (31 December 2016: 699 employees). For the year ended 31 December 2017, the remuneration of the Group's employees (including Directors' emoluments) amounted to approximately RMB146.2 million. The remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits. The Group's remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. Further, the Group adopted a share option scheme on 14 January 2014. Further information of such share option scheme is set out in the section headed "SHARE OPTION SCHEME" of this annual report of the Company for the year ended 31 December 2017. The Company provided on-the-job training, induction courses together with other training programmes for the employees at different positions to raise their professionalism during the year ended 31 December 2017.

CHARGE ON ASSETS

As at 31 December 2017, the Group had aggregate banking facilities of approximately RMB7,944.2 million (31 December 2016: RMB3,881.3 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 31 December 2017 amounted to RMB1,472.2 million (31 December 2016: RMB876.3 million).

These facilities were secured by certain properties under development held for sale provided by the Group's subsidiaries and corporate guarantee.

SPECIFIC PERFORMANCE OF CONTROLLING SHAREHOLDERS UNDER RULE 13.18 OF THE LISTING RULES

(1) US$202 million term loan facility

On 20 July 2017 (after trading hours), the Company (as borrower), certain subsidiaries of the Company (as original guarantors), certain financial institutions (as original mandated lead arrangers) and a facility agent entered into a facility agreement (the "Facility") in respect of a US$202,000,000 transferable term loan facility with a term of 36 months from the date of the Facility agreement and at an interest rate of LIBOR plus 4% per annum. Subject to the terms of the Facility, the total commitment under the Facility may be increased to not more than US$220,000,000 as a result of the accession of lender(s).

Under the Facility, it will be an event of default if:

i. Mr. Huang Ruoqi ("Mr. Huang") and Mr. Wong Yuek Hung ("Mr. Wong") individually or collectively do not or cease to hold (directly or indirectly) 51% or more of the beneficial shareholding interest, carrying 51% or more of the voting rights, in the issued share capital of the Company or do not or cease to maintain management control over the Company; or

ii. Mr. Huang is not or ceases to be the president and an executive director of the board of directors of the Company.

On and at any time after the occurrence of an event of default which is continuing, the facility agent may cancel all or part of the commitments, or declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable.

As at 31 December 2017, the full amount of the loan facility remained outstanding.

(2) US$130 million term loan facility

On 9 September 2016, the Company as borrower entered into a facility agreement with a group of financial institutions as lenders. Under the facility agreement, the lenders have agreed to make available to the Company a loan facility in an amount of not less than US$130 million with a term of 36 months from the date of the facility agreement and at an interest rate of LIBOR plus 4% per annum.

It is an event of default will occur if, among other things,

(a) Mr. Huang Ruoqing and Mr. Wong Yeuk Hung individually or collectively do not or cease to hold (directly or indirectly) 51% or more of the beneficial shareholding interest, carrying 51% or more of the voting rights, in the issued share capital of the Company or do not or cease to maintain management control over the Company; or

(b) Mr. Huang Ruoqing is not or ceases to be the president and an executive director of the Board.

Upon and at any time after the occurrence of an event of default which is continuing, the Facility Agent may, and shall if so directed by the Majority Lenders (as defined in the Facility Agreement), by notice to the Company:

(a) immediately cancel all or any part of the Commitments (as defined in the Facility Agreement);

(b) declare that all or part of the Loans (as defined in the Facility Agreement) together with interest accrued thereon, and all other amounts accrued or outstanding under the Finance Documents (as defined in the Facility Agreement) be immediately due and payable;

(c) declare that all or part of the Loans be payable on demand, where they shall immediately become payable on demand by the Facility Agent on the instructions of the Majority Lenders; and/or

(d) subject to the Intercreditor Agreement (as defined in the Facility Agreement), notify the Common Collateral Agent (as defined in the Facility Agreement) to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents and in respect of the Transaction Security (as defined in the Facility Agreement).

As at 31 December 2017, the full amount of the loan facility remained outstanding.

Except as disclosed above, as at 31 December 2017, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2017.

IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REPORTING PERIOD

On 23 February 2018, the Company issued 6.375% senior notes due 2019 with an aggregate nominal value of US$300,000,000 at par value (the "**6.375% senior notes due 2019**"). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately US$297,500,000. The 6.375% Senior Notes due 2019 will mature on 27 February 2019, unless redeemed earlier.

Save as disclosed, no other important event affering the Group has taken place since 31 December 2017 and up to the date of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company will continue to purchase land located in the strategically selected cities. It is expected that the Group's internal resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed in this announcement, the Company did not have any plans authorised by the Board for significant investments or capital assets as at the date of this announcement.

OUTLOOK

Rapid urbanization substantially contributed to the momentum of the development of real estate in the PRC in the future. A new start of economic cycle will be present in the PRC in 2018. In an increasingly competitive environment of the real estate industry, the Group, on one hand, constantly optimises its product mix to meet the market demand with high return for its working capital. On the other hand, the Group effectively reduces its operation costs through meticulous cost control and the diversification of financing channels so as to maintain a steady enhancement of the Group's overall competitiveness.

The Group would continue to uphold the strategy of intensively developing in real estate industry, and innovation and diversification of business to a less extent. We insist to invest mainly on real estate segment, and strengthen the traditional real estate business by innovation of products, meticulous costs, efficient operation and systematic allocation of human resources. At the same time, we also step in the extended business of real estate and extend the real estate industry value chain, in order to gain a new source of growth.

The Group will continue to expand territories of our real estate business, consolidate the business in cities with our presence, and strive to enter the market of other provincial capitals and strategically targeted second-tier cities with strong economy and potential of development. Meanwhile, we would further enhance our corporate governance, especially in aspects of organizational structure, staff welfare system, appraisals and incentives, protection measures to financing and risks control, in order to lay the ground for a leap-forward development.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not currently known to the Group or which may not be material now but could turn out to be material in the future.

Risks pertaining to the property market in the PRC

The Group's business and revenue growth is dependent on favourable economic conditions in the PRC, particularly the performance of the PRC residential property market in the cities in which the Group develops its property development projects, and therefore any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where the Group has operations, could have a material adverse effect on its business, results of operations and financial condition.

Operational Risks

The Group's operations are subject to a number of risk factors distinctive to the property related businesses. Shortages of materials, equipment and skilled labour, labour disputes, default on the part of its buyers, contractors and strategic business partners, natural catastrophes, adverse weather conditions, inadequacies or failures of internal processes or other external factors may have various levels of negative impact on the results of the Group's operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to the Group's financial loss, litigation, or damage in reputation.

Further, property development is capital intensive in nature. The Group has financed its property development projects primarily through proceeds from sales of properties and bank borrowings. It may also access the capital markets to raise further financing. Its ability to obtain external financing in the future is subject to a variety of uncertainties, including the condition of the international and domestic financial markets and financing availability and general economic conditions in the PRC. If the Group fails to secure adequate financing or renew its existing loans prior to their expiry as a result of these governmental actions and policy initiatives, there may be a material adverse effect on the business, results of operations and financial condition of the Group.

Foreign Exchange Risks

As at 31 December 2017, the Group is exposed to foreign exchange risk primarily with respect to certain of its bank borrowings and senior notes which were denominated in HK$ and US$. RMB experienced certain fluctuation against HK$ and US$ during the year 2017 which is the major reason for the exchange differences recognised by the Group. The Group does not have a formal hedging policy and have not entered into any foreign currency exchange contracts or derivative transactions to hedge the foreign exchange risk.

ENVIRONMENTAL PROTECTION

As a responsible developer, the Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental measures to ensure that the conducting of the Group's business meets the applicable local standards and ethics in respect of environmental protection. The Group puts great emphasis in environmental protection and sustainable development. Through the establishment of an ever-improving management system, enhancement on procedure monitoring, energy conservation and environment protection were strongly promoted, leading to the remarkable achievement of environmental management.

Several measures have been implemented in order to mitigate environmental pollution, including the environmental protection as one of the key factor when we consider the major contractor in the contract tendering; we implemented the electronic approval system ("EAS" system) to reduce the use of paper in our working environment.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, the Group has complied in material respects with the relevant laws and regulations which have a significant impact on the business and operations of the Company during the year ended 31 December 2017.

KEY RELATIONSHIPS WITH THE GROUP'S STAKEHOLDERS

Workplace Quality

The Group believes that the directors, senior management and employees of the Group are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. As such, the Share Option Scheme was adopted by the Company for the purpose of providing incentives and rewards to the Eligible Participants (as defined below) who contributed to the success of the Group's operations.

The Group provides on the-job training and development opportunities to enhance its employees' career progression. Through different trainings, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organised staff-friendly activities for employees, such as annual dinner, to promote staff relationship.

The Group provides on providing a safe, effective and congenial working environment. Adequate arrangements, trainings and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of its staff. In order to provide employees with health coverage, its employees are entitled to medical insurance benefits.

Relationships with the Group's other stakeholders

The Group placed efforts in maintaining good relationships various financial institutions and banks given that the Group's business is capital intensive and require on-going funding for the development and growth of the Group's business.

Further, the Group aims at delivering constantly high standards of quality in the products to its customers in order to stay competitive.

During the year, there was no material and significant dispute between the Group and its financial institutions and/or customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 61.

The Board recommended the payment of a final dividend of RMB3 cents per share for the year ended 31 December 2017 (2016: Nil) to the Shareholders whose names appear on the Register of Members of the Company on 15 May 2018. The final dividend is subject to the approval of the Shareholders at the annual general meeting to be held on 9 May 2018 ("AGM") and will be payable on or around 25 May 2018. The proposed final dividend shall be declared in RMB and paid in HKD. The final dividend payable in HKD will be converted from RMB at the average exchange rate of HKD against RMB announced by the People' s Bank of China on 9 May 2018.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale are set out on page 34 to page 37 of this report.

SHARE ISSUED IN THE YEAR

During the year ended 31 December 2017, there is no new shares issued by the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, stipulating that any new shares shall be offered according to the respective shareholding of the existing shareholders when new shares are issued.

DONATIONS

Charitable and other donations made by the Group during the year amounted to RMB0.6 million (2016: RMB2.04 million).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 160 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the Group' s turnover attributable to the Group' s five largest customers was less than 30%. For the year ended 31 December 2017, purchases from the Group' s largest and the five largest suppliers accounted for approximately 17.7% (2016: 17.1%) and 25.5% (2016: 28.8%) of total cost of sales of the Group, respectively.

For the year ended 31 December 2017, none of the Directors or any of their close associates or any Shareholders of the Company, to the knowledge of the Directors, owns more than 5% of the issued Shares) has any interest in the above-mentioned suppliers and customers.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

On 9 August 2017, the Company redeemed an aggregate principal amount of US$125,000,000 of all of the outstanding 13.75% Senior Notes due 2019. The total redemption price was US$133,975,694. Upon completion of the redemption, the notes were cancelled.

On 8 November 2017, the Company issued Senior Notes due 2018 with principal amount of USD250,000,000 at a coupon rate of 7.0% per annum for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the Senior Notes due 2018 are disclosed in the announcements of the Company dated 9 November 2017.

Except as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2017.

SHARE OPTION SCHEME

On 14 January 2014, the Company adopted a share option scheme (the "Share Option Scheme") whereby the Board may, at its discretion, offer to grant an option to subscribe for such number of new shares of the Company (the "Shares") to (a) full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (b) any directors (including independent non-executive Directors) of the Company or any of its subsidiaries; and (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries (the "Eligible Participants") as described in the Share Option Scheme in order to serve as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries. Upon acceptance of the option, the grantee shall pay HK$1 (or an equivalent amount in RMB) to the Company by way of consideration for the grant.

(a) Maximum number of Shares available for issue

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 355,160,932 Shares, representing 10% of the issued capital of the Company as at the date of this report, respectively, excluding for this purpose Shares which may have been issued upon the exercise of the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may: (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditor of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with the terms of the Share Option Scheme whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(b) Maximum number of options to each Eligible Participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2) (d) and the disclaimer required under 17.02(4) of the Listing Rules; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange' s daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange' s daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. WONG Yeuk Hung (Appointed on 9 March 2017)
Mr. HUANG Ruoqing
Mr. TANG Chengyong
Mr. HONG Duxuan (Resigned on 9 March 2017)

Independent non-executive Directors

Dr. WONG Yau Kar, David GBS, BBS, JP
Mr. CHAU On Ta Yuen SBS, BBS
Mr. YIP Tai Him
Mr. CHOW Kwong Fai, Edward JP

Biographical details of the Directors and senior management are set forth in the section headed "Directors and Senior Management Profiles of this report.

Mr. Hong has been resigned as an executive Director from 9 March 2017 in order to focus on his commitments.

In accordance with Article 108(a) of the Articles of Association, one-third of the Directors for the time being shall retire from their offices by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. As such, Mr. Huang, Mr. Yip and Mr. Chow shall retire from office and being eligible, offer themselves for re-election at the Annual General Meeting.

CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Wong Yeuk Hung entered into a service contract with the Company for a term of three years commencing from 9 March 2017. Mr. Huang Ruoqing, Mr. Tang Chengyong, Dr. Wong Yau Kar, David, Mr. Chau On Ta Yuen, Mr. Yip Tai Him and Mr. Chow Kwong Fai entered into a service contract with the Company for a term of three years commencing from January 2017. Such service contract can be terminated by either party thereto serving at least three months' notice prior to the expiry of the term thereof. Each of the independent non-executive Directors signed an appointment letter with the Company for a term of three years with effect from 30 January 2017.

None of the Directors (including any Director who may be proposed for re-election at the Annual General Meeting) has entered into any service agreement with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, Directors or other officers of the Company acting in relation to any of the affairs of the Company shall be indemnified from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office, except such (if any) as he/she shall incur or sustain through his/her own fraud or dishonesty. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year or subsisted at the end of the year.

RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") in Hong Kong. The Group also participates in an employee social security plan as required by the regulations in the PRC, under which the Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. Save as disclosed above, the Group has not operated any other retirement benefits schemes for the Group's employees.

CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETITION BUSINESS

A deed of non-competition dated 17 January 2014 (the "**Deed of Non-Competition**") was entered into between the Company and the controlling Shareholders, namely Mr. Wong, Mr. Huang, Global Universe International Holdings Limited ("**Global Universe**") and Times International, who have undertaken to the Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (except any members of the Group) would not directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold shares or interests (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) in any companies or businesses that compete directly or indirectly with the property development and property investment business engaged by the Group, unless otherwise permitted according to the Deed of Non-Competition.

The Company has received an annual written confirmation from each of the controlling Shareholders in respect of the compliance by them and their associates with the Deed of Non-Competition.

The independent non-executive Directors have reviewed the Deed of Non-Competition and assessed whether the controlling Shareholders have abided by the non-competition undertaking. The independent non-executive Directors confirmed that the controlling Shareholders have not been in breach of the non-competition undertaking during the year ended 31 December 2017.

Save as disclosed, none of the Directors or their respective associates have any interests in any business that competed or is likely to compete with the Group's business (other than the Group's business) during the year ended 31 December 2017.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in the Company:

Name of Director	Nature of interest	Total number of Shares	Percentage of the Company's issued shares
Mr. Wong (Note 2)	Interest in controlled corporation	1,387,258,000(L)(Note 1)	39.06%
Mr. Huang (Note 3)	Interest in controlled corporation	924,838,000(L)(Note 1)	26.04%

Notes:

(1) The letters "L" denotes the person's long position in the Shares.

(2) As at the date of this report, Mr. Wong beneficially owned 100% of the issued share captial of Global Universe and was deemed to be interested in 1,387,258,000 Shares held by Global Universe pursuant to the SFO.

(3) As at the date of this report, Mr. Huang beneficially owned 100% of the issued share capital of Times International and was deemed to be interested in the 924,838,000 Shares held by Times International pursuant to the SFO.

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Option Scheme as disclosed in this annual report, at no time during the year ended 31 December 2017 was the Company, its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2017, so far as the Directors were aware of, the following persons' (other than the Directors and chief executive of the Company) interests or short position in the shares and underlying shares of the Company, being interests of 5% or more, as recorded in the register required to be kept pursuant to section 336 of the SFO were as follows:

Name	Nature of interest	Number of Shares	Long/Short position	Percentage of the Company's issued shares
Global Universe (Note 1)	Beneficial Owner	1,387,258,000	Long Position	39.06%
Times International (Note 2)	Beneficial Owner	924,838,000	Long Position	26.04%
Ms. Sze Kai Fei (Note 3)	Interest of spouse	1,387,258,000	Long Position	39.06%
Ms. Fan Huili (Note 4)	Interest of spouse	924,838,000	Long Position	26.04%
Power Ray (Note 5)	Beneficial Owner	351,609,322	Long Position	9.9%
Mr. Ng Leung Ho (Note 5)	Interest in controlled corporation	351,609,322	Long Position	9.9%

Notes:

(1) As at the date of this report, the entire share capital of Global Universe, a company incorporated in the British Virgin Islands ("BVI") with limited liability, was held by Mr. Wong. By virtue of the SFO, Mr. Wong was deemed to be interested in the Shares held by Global Universe.

(2) The entire share capital of Times International, a company incorporated in the BVI with limited liability, was held by Mr. Huang. By virtue of the SFO, Mr. Huang was deemed to be interested in the 924,838,000 Shares held by Times International. Details of which are set out in the section headed "Directors and Chief Executive's interests and short positions in shares, underlying shares, and debentures" above.

(3) Ms. Sze Kai Fei is the spouse of Mr. Wong. By virtue of the SFO, Ms. Sze Kai Fei is deemed to be interested in the Shares held by Mr. Wong.

(4) Ms. Fan Huili is the spouse of Mr. Huang. By virtue of the SFO, Ms. Fan Huili is deemed to be interested in the Shares held by Mr. Huang.

(5) To the best knowledge of the Directors, the entire share capital of Power Ray Investment Development Limited ("Power Ray"), a company incorporated in the BVI with limited liability, was wholly owned by Mr. NG Leung Ho. By virtue of the SFO, Mr. NG Leung Ho is deemed to be interested in the Shares held by Power Ray.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as the transactions set out in Note 35 to the consolidated financial statements, no Director or an entity connected with the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year.

CONNECTED TRANSACTIONS

There is no connected party transaction conducted during the year ended 31 December 2017.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2017, the Group had certain related parties transactions under the applicable accounting standards. There are no related parties transactions disclosed in note 35 to the financial statements which constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules during the year ended 31 December 2017. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

Save as the transactions as set out in Note 35 to the consolidated financial statements, no contracts of significance between the controlling shareholders of the Company or any of their subsidiaries and the Group has been made during the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Wednesday, 9 May 2018, the register of members of the Company will be closed on Friday, 4 May 2018 to Wednesday, 9 May 2018, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with 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, Hong Kong not later than 4:30 p.m. on Thursday, 3 May 2018.

(b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed on Tuesday, 15 May 2018 both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration 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, Hong Kong not later than 4:30 p.m. on Monday, 14 May 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the Directors' knowledge as at the date of this report, the Company has maintained the prescribed public float as required by the Listing Rules during the year ended 31 December 2017 and up to the date of this report.

AUDITOR

The financial statements have been audited by PricewahterhouseCoopers which has indicated its willingness to continue in office as the Group's external auditor for 2018 for Shareholders' approval at the Annual General Meeting.

PROFESSIONAL TAX ADVICE RECOMMENDED

If any shareholder of the Company is unsure about the taxation implications of purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to the Shares, it is advised to consult an expert.

On behalf of the Board
Wong Yeuk Hung
Chairman

28 March 2018

INDEPENDENT AUDITOR' S REPORT

羅兵咸永道

To the Shareholders of Redco Properties Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Redco Properties Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 159, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 disclosure requirements of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA' s Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarise:

- Valuation of an investment property
- Classification of the investments

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of an investment property *Refer to Note 2.7, 4.1 and 14 to the consolidated financial statements* As at 31 December 2017, the carrying amount of the Group' s investment property under development in the People Republic of China ("PRC") was approximately RMB434.7 million and a fair value gain of approximately RMB359.0 million was recognised in the consolidated statement of profit or loss during the year. The Group engaged an independent external valuer to perform a valuation of the investment property as at 31 December 2017. The valuation was arrived at using the residual method by making reference to the estimated selling prices of the proposed development upon completion as available in the relevant market, less the estimated costs to complete the development and the requisite developer' s margin. The existence of significant judgment and estimates of the key assumptions involved in the property valuation warrants specific audit focus and attention on this area.	Our procedures in relation to the valuation of the investment property included: • Assessing the competence, capability and independence of the independent external valuer; • Using our in-house valuation expert to assess the appropriateness of the valuation methodology used by the valuer and the reasonableness of the key assumptions adopted in the valuation based on their knowledge of the property industry; and • Checking, on a sample basis, the data used in the valuation, including the estimated selling prices of the proposed development and the estimated costs to complete, by comparing them to the relevant market data and agreements with the contractors, respectively. Based on the audit procedures performed, we consider the methodology used in preparing the valuation was appropriate and the key assumptions were supportable in light of available internal and other market evidence.

Key Audit Matter (Continued)	**How our audit addressed the Key Audit Matter** (Continued)
Classification of investments *Refer to Note 2.2, 2.3, 4.2, 15 and 28 to the consolidated financial statements* During the year ended 31 December 2017, the Group made investments with consideration of approximately RMB589.3 million for investments in subsidiaries and RMB275.7 million for investments in associates. We focused on this area due to the magnitude of the investments and the fact that significant judgements were made by management in determining the appropriate classification of the investments that involved complex terms and arrangements.	Our procedures in relation to the classification of the investments included: • We read the contracts and agreements in relation to those investments made in the current year. We assessed the terms and conditions of those investments, including evaluation of whether there is any indication or evidence of control or significant influence found in the detailed arrangement of these investments, to determine whether appropriate classification had been adopted by management in relation to those investments based on the consideration of the totality of facts. • We discussed with management and obtained management assessment to understand their critical judgements and the classification that they had applied. • We also discussed with management to obtain an understanding on the details of such investments, including relevant activities of the investee companies and how decisions about those activities are made, how the Group and other investors participate in the decisions, the rights and power of the Group and other investors on the investee companies. Based on the audit procedures performed, we noted that management' s judgement applied in the classification of the investments was supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 disclosure requirements of 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 audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, 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 judgment 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the 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 Lee Kin Wah, Albert.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 RMB' 000	2016 RMB' 000 (Restated) (Note 2.1.2)
Revenue	5	6,734,067	5,270,090
Cost of sales	6	(5,057,627)	(4,184,751)
Gross profit		1,676,440	1,085,339
Other (losses)/gains, net	7	(15,803)	171,237
Selling and marketing expenses	6	(195,475)	(146,611)
General and administrative expenses	6	(233,450)	(164,767)
Fair value gain on an investment property	14	359,036	—
Impairment of goodwill	12	(49,535)	—
Operating profit		1,541,213	945,198
Finance income	9	44,729	15,302
Finance costs	9	(70,945)	(6,364)
Finance (cost)/income, net		(26,216)	8,938
Share of profit of investments accounted for using the equity method, net	15	82,870	6,612
Profit before income tax		1,597,867	960,748
Income tax expense	10	(607,735)	(405,983)
Profit for the year		990,132	554,765
Profit attributable to:			
Owners of the Company		862,237	450,756
Non-controlling interests		127,895	104,009
		990,132	554,765
Earnings per share for profit attributable to owners of the Company for the year			(Restated)
– Basic and diluted (expressed in RMB cents per share)	33	24.28	12.69

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 RMB' 000	2016 RMB' 000 (Restated) (Note 2.1.2)
Profit for the year	**990,132**	554,765
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss		
– Currency translation differences	**171,999**	(146,687)
Total other comprehensive income/(loss)	**171,999**	(146,687)
Total comprehensive income for the year	**1,162,131**	408,078
Attributable to:		
– Owners of the Company	**1,032,876**	305,177
– Non-controlling interests	**129,255**	102,901
Total comprehensive income for the year	**1,162,131**	408,078

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 RMB' 000	2016 RMB' 000 (Restated) (Note 2.1.2)	2015 RMB' 000 (Restated) (Note 2.1.2)
ASSETS				
Non-current assets				
Property, plant and equipment	11	**36,489**	31,423	36,178
Goodwill	12	**—**	49,535	49,535
Investment property	14	**434,669**	—	—
Investments accounted for using the equity method	15	**1,034,521**	374,432	196,803
Trade and other receivables, deposits and prepayments	19	**475,236**	—	—
Deferred income tax assets	16	**238,931**	219,133	58,445
		2,219,846	674,523	340,961
Current assets				
Completed properties held for sale	17	**1,564,092**	1,972,481	1,237,046
Properties under development for sale	18	**5,728,454**	5,717,924	7,218,874
Trade and other receivables, deposits and prepayments	19	**4,046,707**	2,150,640	1,788,400
Amounts due from joint ventures	35	**53,123**	113,984	—
Amounts due from associates	35	**32,719**	3,479	—
Amounts due from non-controlling interests	34	**672,675**	463,439	158,615
Income tax recoverable		**180,948**	154,762	125,398
Restricted cash	20	**1,318,450**	1,186,255	668,759
Cash and cash equivalents	20	**3,587,062**	2,417,219	1,689,142
		17,184,230	14,180,183	12,886,234
Assets classified as held for sale	21	**467,931**	—	—
		17,652,161	14,180,183	12,886,234
Total assets		**19,872,007**	14,854,706	13,227,195
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	22	**139,632**	139,632	139,632
Reserves	23	**3,672,089**	2,710,245	2,414,878
		3,811,721	2,849,877	2,554,510
Non-controlling interests		**797,579**	555,158	370,760
Total equity		**4,609,300**	3,405,035	2,925,270

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 RMB' 000	2016 RMB' 000 (Restated) (Note 2.1.2)	2015 RMB' 000 (Restated) (Note 2.1.2)
LIABILITIES				
Non-current liabilities				
Borrowings	24	**3,982,100**	3,319,532	2,750,027
Deferred income tax liabilities	16	**265,604**	142,610	183,943
		4,247,704	3,462,142	2,933,970
Current liabilities				
Trade and other payables	25	**2,156,112**	2,224,538	2,990,763
Borrowings	24	**3,261,119**	309,700	470,513
Amounts due to non-controlling interests	34	**116,414**	451,308	349,900
Amount due to a related party	35	**—**	—	161,109
Amounts due to joint ventures	35	**140,209**	65,663	—
Receipts in advance	26	**4,507,441**	4,235,821	2,949,214
Income tax liabilities		**832,164**	700,499	446,456
		11,013,459	7,987,529	7,367,955
Liabilities directly associated with assets classified as held for sale	21	**1,544**	—	—
		11,015,003	7,987,529	7,367,955
Total liabilities		**15,262,707**	11,449,671	10,301,925
Total equity and liabilities		**19,872,007**	14,854,706	13,227,195

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 61 to 159 were approved for issue by the Board of Directors on 28 March 2018 and were signed on its behalf:

WONG Yeuk Hung
Director

HUANG Ruoqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital RMB' 000	Reserves RMB' 000	Total RMB' 000	Non-controlling interests RMB' 000	Total equity RMB' 000
Balance at 1 January 2016, as previously reported	139,632	2,383,306	2,522,938	370,760	2,893,698
Effect of change in accounting policy (Note 2.1.2)	—	31,572	31,572	—	31,572
Balance at 1 January 2016 (Restated)	139,632	2,414,878	2,554,510	370,760	2,925,270
Comprehensive income					
– Profit for the year, as previously reported	—	434,319	434,319	104,009	538,328
Effect of change in accounting policy (Note 2.1.2)	—	16,437	16,437	—	16,437
	—	450,756	450,756	104,009	554,765
Other comprehensive loss					
– Currency translation differences	—	(145,579)	(145,579)	(1,108)	(146,687)
Total comprehensive income for the year (restated)	—	305,177	305,177	102,901	408,078
Transactions with owners					
Non-controlling interests arising on business combination	—	—	—	31,366	31,366
Disposal of equity interests in subsidiaries	—	—	—	(11,522)	(11,522)
Change in ownership interests in subsidiaries without change in control	—	(9,810)	(9,810)	19,653	9,843
Capital injection from non-controlling interests				66,000	66,000
Dividends relating to 2015	—	—	—	(24,000)	(24,000)
Total transactions with owners, recognised directly in equity	—	(9,810)	(9,810)	81,497	71,687
Balance at 31 December 2016 (Restated)	139,632	2,710,245	2,849,877	555,158	3,405,035

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				
		Share capital RMB' 000	Reserves RMB' 000	Total RMB' 000	Non-controlling interests RMB' 000	Total equity RMB' 000
Balance at 1 January 2017, as previously reported		139,632	2,662,236	2,801,868	555,158	3,357,026
Effect of change in accounting policy (Note 2.1.2)		—	48,009	48,009	—	48,009
Balance at 1 January 2017 (Restated)		139,632	2,710,245	2,849,877	555,158	3,405,035
Comprehensive income						
– Profit for the year		—	862,237	862,237	127,895	990,132
Other comprehensive loss						
– Currency translation differences		—	170,639	170,639	1,360	171,999
Total comprehensive income for the year		—	1,032,876	1,032,876	129,255	1,162,131
Transactions with owners						
Non-controlling interests arising on business combination	28	—	—	—	101,466	101,466
Capital injection from non-controlling interests		—	—	—	11,700	11,700
Dividends relating to 2017 interim		—	(71,032)	(71,032)	—	(71,032)
Total transactions with owners, recognised directly in equity		—	(71,032)	(71,032)	113,166	42,134
Balance at 31 December 2017		139,632	3,672,089	3,811,721	797,579	4,609,300

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 RMB' 000	2016 RMB' 000
Cash flows from operating activities			
Net cash generated from operations	27	331,287	2,037,822
Income tax paid		(466,158)	(392,678)
Net cash (used in)/generated from operating activities		(134,871)	1,645,144
Cash flows from investing activities			
Additions of property, plant and equipment		(11,693)	(4,416)
Proceeds from disposal of property, plant and equipment	27	944	355
Capitalised subsequent expenditure on an investment property	14	(131)	—
Payments for business combinations, net of cash acquired	28	(516,728)	(483,714)
Net (outflows)/inflows of cash in respect of the disposal of subsidiaries	29	(672)	72,490
Payments for investment in joint ventures	15	(500)	(136,576)
Payments for investment in associates	15	(275,664)	—
Proceeds from the disposal of a joint venture	15	16,875	—
Prepayment for purchase of property, plant and equipment		(430,236)	—
Proceed from disposal of 10% interest in a subsidiary from non-controlling interest		—	19,843
Payment for acquisition of 10% interest in a non-wholly owned subsidiary from non-controlling interest		—	(10,000)
Proceeds from capital injection from non-controlling interests		—	66,000
Advances to non-controlling interests		(189,768)	—
Advances to associates		(22,990)	(3,479)
Advances to joint ventures		92,465	(48,321)
Loans due from joint ventures		(94,089)	—
Loan due from an associate		(243,393)	—
Interest received		19,012	15,302
Net cash used in investing activities		(1,656,568)	(512,516)
Cash flows from financing activities			
Proceeds from bank borrowings		4,997,001	2,674,714
Repayment of bank borrowings		(2,111,100)	(2,395,996)
Issuance of Senior Note due 2018		1,673,784	—
Redemption of Senior Note due 2019		(899,974)	—
Repayment of advances from non-controlling interests		(334,894)	(203,416)
Advances from joint ventures		74,546	—
Proceeds from capital injection from non-controlling interests		11,700	—
Repayment to a related party		—	(161,109)
Loans due from joint ventures		—	(6,001)
Interest paid		(350,877)	(300,328)
Dividend paid		(64,125)	(24,000)
Net cash generated from/(used in) financing activities		2,996,061	(416,136)
Net increase in cash and cash equivalents		1,204,622	716,492
Cash and cash equivalents at beginning of year		2,417,219	1,689,142
Currency translation differences		(34,071)	11,585
Cash and cash equivalents at end of the year	20	3,587,770	2,417,219

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Redco Properties Group Limited (the "Company") was incorporated in the Cayman Islands on 14 July 2008 as an exempted company with limited liability under the Cayman Companies Law. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together with the Company, referred to as the "Group") are principally engaged in property development, property investment and project management business in the People' s Republic of China (the "PRC"). The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied during all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of an investment property which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group' s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

2.1.1 Changes in accounting policies and disclosures

(a) Amended standard adopted by the Group

Amendments to HKAS 7 "Statement of cash flows" is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 40 "Investment property" is early adopted for annual periods beginning on or after 1 January 2017. The amendments further defined the transfer to or from investment property. For more details of the effect on the Group' s financial statements, please refer to Note 2.1.2.

Amendments as mentioned above except Amendments to HKAS 40 "Investment property" are not expected to have a material effect on the Group' s operating results, financial position or comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(b) Amendments to existing standards effective in 2017 but not relevant to the Group

Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	Disclosure of interest in other entities

(c) New and amended standards and interpretations not yet adopted

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after	
Amendments to HKFRS 2	Classification and measurement of share-based and payment transactions	1 January 2018	
Amendments to HKFRS 4	Insurance contracts	1 January 2018	
Amendments to annual improvement project HKFRS 1 and HKAS 28	Annual improvements 2014 – 2016 cycle	1 January 2018	
HKFRS 9	Financial instruments	1 January 2018	(i)
HKFRS 15	Revenue from contracts with customers	1 January 2018	(ii)
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018	(ii)
HK(IFRIC)-Int 22	Foreign currency translations and advance considerations	1 January 2018	
HKFRS 16	Leases	1 January 2019	(iii)
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019	
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019	
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(c) **New and amended standards and interpretations not yet adopted** (Continued)

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out below:

(i) HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group does not have any debt or equity instruments that are currently classified as available-for-sale("AFS"). Accordingly, the Group does not expect the new guidance to affect the classification and measurement of the financial asset.

There will be no impact on the Group' s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("FVPL") and the Group does not have any such liabilities. The derecognition rules have been transferred from Hong Kong Accounting Standards ("HKAS") 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group' s risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(c) **New and amended standards and interpretations not yet adopted** (Continued)

(i) ***HKFRS 9 Financial Instruments*** (Continued)

Impact (Continued)

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

HKFRS 9 is mandatory for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative figures for 2017 will not be restated.

(ii) ***HKFRS 15 Revenue from Contracts with Customers***

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time.
- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties transfer, will be recognised at a later point in time when the underlying property is legally or physically transferred to the customer under the control transfer model.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(c) **New and amended standards and interpretations not yet adopted** (Continued)

(ii) ***HKFRS 15 Revenue from Contracts with Customers*** (Continued)

Impact (Continued)

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected: (Continued)

- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financing component exists in that contract.
- The Group provides different incentives to customers when they sign a property sale contract. Certain incentives (e.g. free gift and property management service) represent separate performance obligations in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which does not represent fair value of good or service provided by the customer.
- Certain costs incurred for obtaining a pre-sale property contract (e.g. sale commission), which is currently expensed off in profit or loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.
- Presentation of contract assets and contract liabilities in the balance sheet – HKFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to contract liabilities which are currently included in other balance sheet line items.

Date of adoption by the Group

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group is estimating the overall impact of the above on the Group's retained earnings on 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(c) New and amended standards and interpretations not yet adopted (Continued)

(iii) HKFRS 16 Leases

Nature of change

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB1,176,000. The Group estimates those related to payments for short-term and low value lease which will be recognised on straight-line basis as an expense in profit or loss are insignificant.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Date of adoption by the Group

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and early adoption of amendments to HKAS 40 "Investment property"

In previous years, an investment property of a joint venture of the Group was carried at historical cost less accumulated depreciation and impairment losses (the "Cost Model"). With effect from 1 January 2017, the Group changed its accounting policy for the investment properties to the fair value model under HKAS 40 (the "Fair Value Model").

The change was made to increase the relevance of financial data to the users of the financial statements by taking into consideration of the following factors:

a) The market values of the investment properties are volatile and are influenced by various factors which are associated with the underlying operation and performance of the Group. Adoption of the fair value model under HKAS 40 could provide a more appropriate and relevant information about the Group's result and financial position.

b) A majority of comparable companies within the Hong Kong and PRC real estate industry adopt the Fair Value Model. Therefore, using the Fair Value Model can align the Group's accounting policy with industry peers and improve comparability of the Group's financial performance with industry peers.

The change in accounting policy of investment properties has been accounted for retrospectively. The comparative figures have been restated.

The Group has early adopted amendments to HKAS 40 in respect of the transfer of properties under development for sales to investment properties under fair value model.

The effect of the changes in accounting policy and early adoption of amendments to HKAS 40 on the consolidated financial statement is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000	1 January 2016 RMB'000
Effect of the changes in accounting policy			
Consolidated balance sheet			
Increase in investments accounted for using the equity method	**67,309**	48,009	31,572
Increase in retained earnings	**(67,309)**	(48,009)	(31,572)
Consolidated statement of profit or loss			
Increase in share of profit of investments accounted for using the equity method, net	**19,300**	16,437	11,150
Increase in profit attributable to owners of the Company for the year	**19,300**	16,437	11,150
Increase in basic and diluted earnings per share (RMB cents per share)	**0.54**	0.46	0.34

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and early adoption of amendments to HKAS 40 "Investment property" (Continued)

The effect of the changes in accounting policy and early adoption of amendments to HKAS 40 on the consolidated financial statement is as follows: (Continued)

	31 December 2017 RMB' 000	31 December 2016 RMB' 000	1 January 2016 RMB' 000
Effect of early adoption of amendments to HKAS 40			
Consolidated balance sheet			
Increase in an investment property	**434,669**	—	—
Decrease in properties under development for sale	**(75,633)**	—	—
Increase in deferred income tax liabilities	**(89,759)**	—	—
Increase in retained earnings	**(269,277)**	—	—
Consolidated statement of profit or loss			
Increase in fair value gain on an investment property	**359,036**	—	—
Increase in income tax expense	**(89,759)**	—	—
Increase in profit attributable to owners of the Company for the year	**269,277**	—	—
Increase in basic and diluted earnings per share (RMB cents per share)	**7.58**	—	—

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) **Business combinations** (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.8). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) **Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) **Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Investments accounted for using the equity method

2.3.1 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investment in a joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. The joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Investments accounted for using the equity method (Continued)

2.3.2 Associates (Continued)

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "finance income" and "finance costs". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other (losses)/gains, net".

(iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- share capital is translated at the historical rate;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which cash income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvement	shorter of the lease term or useful lives
Furniture and office equipment	3 to 5 years
Motor vehicles	3 to 5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (Continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in the consolidated statement of profit or loss.

2.7 Investment property

An investment property is held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are presented in the consolidated statement of profit or loss.

2.8 Goodwill

Goodwill arises on the acquisition of a subsidiary and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.9 Impairment of investment in joint ventures, associate and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset' s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset' s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group applies the impairment assessment requirement of HKAS 39 to determine whether it is necessary to recognise any additional impairment loss in respect to its net investment in joint venture. Impairment testing of the interest in joint venture and associates is required upon receiving dividends from the investment if the dividend exceeds the total comprehensive income of the joint venture or the associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee' s net assets including goodwill. Impairment losses and reversal, if any, are recognised in accordance with HKAS 36.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Properties under development for sale and completed properties for sale

Properties under development for sale and completed properties held for sale are included in current assets at the lower of cost and net realisable value. Development cost of property comprises construction costs, depreciation of machinery and equipment, amortisation of land use rights, borrowing costs on qualifying assets and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

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

2.11 Non-current assets held for sale

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

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal company classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal company classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal company classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

2.12 Financial assets

2.12.1 Classification

The Group's financial assets are classified as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables, deposits and prepayments", "amounts due from joint ventures", "amounts due from associates", "amounts due from non-controlling interests", "restricted cash" and "cash and cash equivalents" in the consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Impairment of financial assets

Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Company, for economic or legal reasons relating to the borrower' s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

The Group first assesses whether objective evidence of impairment exists. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.16 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.17 Construction contract

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

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Construction contract (Continued)

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

On the consolidated balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2.18 Share capital

Ordinary shares are classified as equity.

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

2.19 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, joint ventures and associates, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is stated net of discounts, returns and value added taxes.

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

(i) Sale of properties

Revenue from sale of properties is recognised when the significant risks and rewards of the properties are transferred to the buyers, which is when the construction of the relevant properties have been completed, delivery of the properties have been completed pursuant to the sales agreements and collectability of related receivables pursuant to the sale agreements is reasonably assured. Deposits and instalments received on properties sold prior to transfer of the significant risks and rewards of the properties are included as receipt in advance under current liabilities.

(ii) Construction and sea reclamation service income

Revenue from construction and sea reclamation services based on the stage of completion of the construction as detailed in Note 2.17.

(iii) Property management income

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (Continued)

(iv) Interest income

Interest income is recognised using the effective interest method.

2.24 Employee benefits

(i) Pension obligations

The Group operates a mandatory provident fund scheme ("MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held in a separate trustee-administered fund. Both the Group and the employees are required to contribute 5% of the employees relevant income up to a maximum of HK$1,500 per employee per month.

The Group also participates in an employee social security plan (the "Plan") as required by the regulations in the PRC. The Group is required to make welfare contributions to the Plan which is based on certain percentage of the employees' relevant income.

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

(ii) Bonus plans

The expected cost of bonus plan is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.25 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Financial guarantee liabilities

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within general and administrative expenses.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to HK$ and United States dollars ("US$").

The Group's assets and liabilities, and transactions arising from its operations primarily do not expose it to material foreign exchange risk. Other than certain bank balances and bank borrowings, the Group's assets and liabilities are primarily denominated in RMB. The Group generates RMB from sales in the PRC to meet its liabilities denominated in RMB. The Group does not hedge its exposure to the foreign currencies.

During the year ended 31 December 2017, the Group recorded other comprehensive gain of exchange differences arising from translation of functional currency to presentation currency of RMB171,999,000 (2016: RMB146,687,000), attributable to the depreciation of the RMB against HK$ and US$. The translation risk is not hedged.

As at 31 December 2017 and 2016, certain of the Group's cash and bank balances were denominated in HK$ and US$, details of which have been disclosed in Note 20.

As at 31 December 2017 and 2016, the Group was exposed to foreign exchange risk primarily with respect to the potential effects on profit or loss included the impacts from translation in intercompany balances which are not denominated in functional currency of respective group companies.

RMB appreciation against HK$ and US$ during the year is the major reason for the exchange differences recognised by the Group. Further depreciation of HK$ and US$ against RMB will affect the Group's financial position and results of operations.

The following table shows that, if RMB had strengthened/weakened by 5% against HK$, with all other variables held constant, post-tax profit for the year change, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated amounts due from/(to) fellow subsidiaries and trade and other payables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

	2017 RMB' 000	2016 RMB' 000
Post-tax profit (decrease)/increase		
RMB strengthened by 5%	(4,393)	(25,757)
RMB weakened by 5%	4,393	25,757

The US$ denominated borrowings (Note 24) is in the Company which functional currency is HK$, since HK$ is pegged to US$, there is no significant foreign exchange risk with respect to US$.

(ii) Cash flow and fair value interest rate risks

The Group' s income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits with variable interest, the Group has no other significant interest-bearing assets.

The Group' s exposure to changes in interest rates is mainly attributable to its borrowings from bank. Bank borrowings of variable rates expose the Group to cash flow interest rate risk. The senior notes at a fixed rate expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 24.

Management does not anticipate significant impact to the senior notes resulted from the changes in market interest rates. Moreover, given the stability of the interest rate in the recent financial market, in the opinion of the directors, the exposure of the senior notes to fair value interest rate risk is considered to be low. Therefore no sensitivity analysis is performed.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

At 31 December 2017 and 2016, if interest rates on borrowings at floating rates had been 100 basis points higher/lower with all other variables held constant, the post-tax profit and capitalised interest for the years ended 31 December 2017 and 2016 would have changed as follows:

	2017 RMB' 000	2016 RMB' 000
Post-tax profit (decrease)/increase		
– 100 basis points higher	(1,368)	(1,647)
– 100 basis points lower	1,368	1,647
Capitalised interest increase/(decrease)		
– 100 basis points higher	46,766	25,768
– 100 basis points lower	(46,766)	(25,768)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk

In managing the liquidity risk, the Group regularly and closely monitors its current and expected liquidity requirements to maintain its rolling cash flow at a level which is considered adequate by the Group to finance the Group's operations and to maintain sufficient cash to meet its business development requirements.

Management has periodically prepared cash flow projections and the Group has a number of alternative plans to offset the potential impact on the Group's business development and current operation, should there be circumstances that the anticipated cash flow may be affected by any unexpected changes in the PRC economic conditions. The Company's directors consider that the Group will be able to maintain sufficient financial resources to meet its needs. Unused facilities of the Group as of 31 December 2017 and 2016 have been disclosed in Note 32.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017						
Term loans subject to repayment on demand clause	163,836	—	—	—	—	163,836
Bank borrowings and interest payments	—	1,732,358	2,319,812	1,965,593	—	6,017,763
Senior notes and interest payments	—	1,747,551	—	—	—	1,747,551
Trade and other payables (excluding non-financial liabilities)	—	1,788,511	—	—	—	1,788,511
Amounts due to non-controlling interests	—	116,414	—	—	—	116,414
Amounts due to joint ventures	—	140,209	—	—	—	140,209
Financial guarantees (Note 31)	—	1,401,594	2,542,389	2,100,581	7,874	6,052,438
	163,836	6,926,637	4,862,201	4,066,174	7,874	16,026,722

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	On demand RMB' 000	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Total RMB' 000
At 31 December 2016					
Term loans subject to repayment on demand clause	219,600	—	—	—	219,600
Bank borrowings and interest payments	—	238,766	802,200	1,851,298	2,892,264
Senior notes and interest payments	—	119,221	119,221	867,061	1,105,503
Trade and other payables (excluding non-financial liabilities)	—	2,010,374	—	—	2,010,374
Amounts due to non-controlling interests	—	451,308	—	—	451,308
Amount due to a joint venture	—	65,663	—	—	65,663
Financial guarantees (Note 31)	—	947,184	1,849,953	2,303,178	5,100,315
	219,600	3,832,516	2,771,374	5,021,537	11,845,027

The table below analyses the term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates.

	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Total RMB' 000
31 December 2017	29,048	28,236	117,182	174,466
31 December 2016	53,274	30,848	159,350	243,472

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iv) Credit risk

Credit risk arises from bank deposits, trade receivables, other receivables and amounts due from joint ventures, associates and non-controlling interests.

For trade and other receivables and amounts due from joint ventures, associates and non-controlling interests, the Group assessed the credit quality of the counterparties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counterparties is low.

The Group reviews the recoverable amount of each individual trade receivable balance at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

All the bank deposits are placed with banks with sound credit ratings to mitigate the risk. The Group does not hold any collateral as security.

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding amount under the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customers' deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustment to it in light of changes in economic condition.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or to obtain bank and other borrowing.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

The Group monitors capital on the basis of the gearing ratio. Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balance (including cash and cash equivalent and restricted cash). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017 RMB' 000	2016 RMB' 000
Total borrowings (Note 24)	**7,243,219**	3,629,232
Less: Cash and cash equivalents and restricted cash (Note 20)	**(4,905,512)**	(3,603,474)
Net debt	**2,337,707**	25,758
Total equity	**4,609,300**	3,405,035
Total capital	**6,947,007**	3,430,793
Gearing ratio	**34%**	1%

3.3 Fair value estimation

Level of the inputs to valuation techniques used to measure fair value of the Group' s financial instruments as at 30 June 2017. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair values of the trade receivables, other receivables and deposits, cash and cash equivalents, restricted cash, amounts due from non-controlling interests, amounts due from joint ventures, amounts due from associates, trade and other payables and amounts due to joint ventures at 31 December 2017 approximate their carrying amounts due to their short term maturities.

See Note 14 for disclosures of the investment property that is measured at fair value.

All the resulting fair value estimates are included in level 3 of the fair value hierarchy.

There were no transfers among levels 1, 2 and 3 during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4.1 Valuation of the investment property

The Group carries its investment property at fair value with changes in the fair value recognised in the consolidated statement of profit or loss. The fair value of investment property was determined by using valuation technique and management updates their assessment of the fair value of the investment property, taking into account the key valuation assumptions. Details of the judgments and assumptions have been disclosed in Note 14.

4.2 Classification of investments

The Group made investments that involved complex terms and arrangements during the year. Judgement is required in determining the appropriate classification for these investments including assessing the relevant activities of the investee companies and its decisions making process on those activities that involving the Group, if any and its other investors, the rights and power of the Group and other investors on the investee companies and the Group' s returns from the investments. Different conclusions around these judgements may materially impact how these investments presented and measured in the consolidated financial statements of the Group.

4.3 Provision for impairment of properties held for sale or under development

The management makes provision for impairment of properties held or under development for sale based on the estimate of the recoverable amount of the properties. Given the volatility of the property market in the PRC, the actual recoverable amount may be higher or lower than the estimate made as at the end of the reporting period. Any increase or decrease in the provision would affect the Group' s operating performance in future years.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.4 Current taxation and deferred taxation

The Group is subject to taxation in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are transactions and calculations for which the ultimate tax determination is uncertain (for example, certain expenses such as entertainment and advertising expenses may not be finally deductible) during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

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

4.5 Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management' s best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

4.6 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 12).

5 REVENUE AND SEGMENT INFORMATION

The Executive Directors have been identified as the CODM. Management determines the operating segments based on the Group's internal reports, which are submitted to the Executive Directors for performance assessment and resources allocation.

The Executive Directors consider the business from a geographical perspective and assesses the performance of property development in four reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Pearl River Delta Region and Others. The Group's construction and sea reclamation services, and property investment and project management businesses are considered together with the property development segments and included in the relevant geographic operating segment. "Others" segment represents provision of design services to group companies, corporate support functions, property management services (services provided to both internal or external customers) and investment holdings businesses.

The Executive Directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of depreciation, share of profit of investments accounted for using the equity method, finance income, finance costs and income tax expense from the operating segments. Other information provided, except as noted below, to the Executive Directors is measured in a manner consistent with that in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Greater Western Taiwan Straits Economic Zone RMB' 000	Central and Western Regions RMB' 000	Bohai Economic Rim RMB' 000	Pearl River Delta Region RMB' 000	Others RMB' 000	Total RMB' 000
Year ended 31 December 2017						
Total revenue	1,719,155	2,731,163	1,829,283	449,731	18,000	6,747,332
Less: Inter-segment revenue	—	—	—	—	(13,265)	(13,265)
Revenue (from external customers)	1,719,155	2,731,163	1,829,283	449,731	4,735	6,734,067
Segment results	183,385	702,674	634,102	106,165	(78,516)	1,547,810
Depreciation	(2,512)	(438)	(1,283)	(585)	(1,779)	(6,597)
Operating profits/(losses)	180,873	702,236	632,819	105,580	(80,295)	1,541,213
Share of profit of investments accounted for using the equity method, net	77,822	—	—	—	5,048	82,870
Finance income	10,461	21,904	9,046	1,052	2,266	44,729
Finance costs	—	—	—	—	(70,945)	(70,945)
Income tax expense	(80,269)	(284,012)	(176,731)	(9,837)	(56,886)	(607,735)
Profit/(loss) for the year	188,887	440,128	465,134	96,795	(200,812)	990,132
At 31 December 2017						
Total segment assets	3,380,938	4,648,435	8,948,799	1,305,368	1,587,160	19,870,700
Other unallocated corporate assets						1,307
Total assets						19,872,007
Additions to:						
Property, plant and equipment	7,707	845	1,175	1,123	843	11,693
Total segment liabilities	(2,723,517)	(1,435,831)	(5,867,006)	(515,554)	(4,720,799)	(15,262,707)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Greater Western Taiwan Straits Economic Zone RMB' 000	Central and Western Regions RMB' 000	Bohai Economic Rim RMB' 000	Pearl River Delta Region RMB' 000	Others RMB' 000	Total RMB' 000
Year ended 31 December 2016						
Total revenue	2,463,369	500,499	753,671	1,514,955	59,620	5,292,114
Less: Inter-segment revenue	—	—	—	—	(22,024)	(22,024)
Revenue (from external customers)	2,463,369	500,499	753,671	1,514,955	37,596	5,270,090
Segment results	515,798	171,906	62,330	221,139	(18,352)	952,821
Depreciation	(2,272)	(484)	(1,690)	(697)	(2,480)	(7,623)
Operating profits/(losses)	513,526	171,422	60,640	220,442	(20,832)	945,198
Share of profit of investments accounted for using the equity method, net (restated) (Note 2.1.2)	5,629	—	—	—	983	6,612
Finance income	4,445	2,534	2,648	388	5,287	15,302
Finance costs	(80)	—	—	—	(6,284)	(6,364)
Income tax (expense)/credit	(249,046)	(79,770)	(23,833)	(91,660)	38,326	(405,983)
Profit for the year (restated)	274,474	94,186	39,455	129,170	17,480	554,765
At 31 December 2016						
Total segment assets (restated) (Note 2.1.2)	3,801,257	3,749,109	5,731,804	835,521	735,001	14,852,692
Other unallocated corporate assets						2,014
Total assets (restated)						14,854,706
Additions to:						
Property, plant and equipment	386	629	1,453	24	1,924	4,416
Total segment liabilities	(2,463,539)	(3,452,432)	(3,059,820)	(215,468)	(2,258,412)	(11,449,671)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	2017 RMB' 000	2016 RMB' 000
Breakdown of revenue		
Sales of properties	6,324,976	5,155,966
Construction and sea reclamation services	378,443	76,528
Property management services	—	37,596
Project management services	30,648	—
	6,734,067	5,270,090

Geographical information

Revenue by geographical location is determined on the basis of the location of sales of properties or services rendered. All of the Group' s revenue generated from the PRC.

Non-current assets by geographical location are determined based on the location of the relevant assets. The Group' s non-current assets are mainly located in the PRC.

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and general and administrative expenses are analysed as follows:

	2017 RMB' 000	2016 RMB' 000
Auditor' s remuneration		
- Audit services	3,764	3,118
- Non-audit services	519	—
Cost of properties sold	4,851,390	3,916,850
Cost of construction and sea reclamation service	97,768	53,760
Depreciation of property, plant and equipment (Note 11)	6,597	7,623
Employee benefit expenses (Note 8)	146,193	140,812
Entertainment	20,285	9,657
Marketing and advertising costs	129,559	95,092
Operating lease payments	6,099	4,547
Office and travelling expenses	45,202	42,648
Business taxes and surcharges	107,252	185,104
Land use and real estate taxes	8,088	6,254
Legal and professional fees	38,971	9,983
Donation	630	2,038
Other selling and marketing and general and administrative expenses	24,235	18,643
Total cost of sales, selling and marketing expenses and general and administrative expenses	5,486,552	4,496,129

7 OTHER (LOSSES)/GAINS, NET

	2017 RMB' 000	2016 RMB' 000
Gain on disposal of a subsidiary (Note 29)	**1,566**	123,036
Gain on disposal of investment in a joint venture (Note 15(d))	**11,752**	—
Gains on bargain purchase arising from acquisition of subsidiaries (Note 28)	**1,150**	—
Gain on disposal of property, plant and equipment	**226**	184
Exchange (losses)/gains (Note a)	**(33,939)**	28,298
Compensation received in relation to the termination of a contract	**—**	11,370
Penalties income	**2,905**	1,844
Others	**537**	6,505
	(15,803)	171,237

Note a:

The exchange (losses)/gains mainly arises from the year end re-translation of RMB-denominated monetary assets, comprising mainly inter-company balances, on the balance sheets of the companies within the Group which use HK$ as their functional currency. Subsequently, when these balance sheets are translated into RMB, the presentation currency of the Group, a corresponding debit arises, and this is included in other comprehensive income under the caption of "Currency translation differences".

8 EMPLOYEE BENEFIT EXPENSES

	2017 RMB' 000	2016 RMB' 000
Salaries and allowances	**124,843**	117,766
Sale commission and bonuses	**32,226**	32,605
Pension costs (Note a)	**14,452**	11,815
Other staff welfare	**14,089**	10,605
	185,610	172,791
Less: Capitalized in properties under development	**(39,417)**	(31,979)
	146,193	140,812

(a) Pension cost - Defined Contribution Plan

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

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, subject to a ceiling of HK$1,500 per month per head.

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Pension cost - Defined Contribution Plan (Continued)

Details of the retirement scheme contributions, which have been dealt with in the consolidated statement of profit or loss are as follows:

	2017 RMB' 000	2016 RMB' 000
Gross scheme contributions	14,452	11,815
Less: capitalized in properties under development	(3,425)	(2,669)
	11,027	9,146

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2017 include three (2016: three) directors whose emoluments are reflected in the analysis presented in Note 38. The emoluments payable to the remaining two (2016: two) individuals during the year are as follows:

	2017 RMB' 000	2016 RMB' 000
Salaries and other short-term benefits	3,111	2,365
Retirement scheme contributions	50	48
	3,161	2,413

The emoluments fall within the following bands:

	2017	2016
Nil to HK$1,000,000 (equivalent to RMB865,200)	—	—
HK$1,000,001 to HK$2,000,000 (equivalent to RMB865,201 to RMB1,730,400)	2	2

9 FINANCE INCOME AND COSTS

	2017 RMB' 000	2016 RMB' 000
Finance income from bank deposits	19,012	15,302
Finance income from loans to an associate and non-controlling interests (Note 15 (a) and Note 34)	25,717	—
	44,729	15,302
Finance costs on borrowings	351,920	282,570
Less: finance costs capitalised in qualifying assets	(339,006)	(276,206)
	12,914	6,364
Loss on early redemption of Senior Notes due 2019 (Note 24)	58,031	—
	70,945	6,364
Weighted average interest rate on capitalised borrowings (per annum)	7.49%	8.55%

10 INCOME TAX EXPENSE

Subsidiaries established and operating in the PRC are subject to PRC corporate income tax at the rate of 25% for the year ended 31 December 2017 (2016: 25%).

No provision has been made for Hong Kong profits tax as the companies in Hong Kong did not generate any assessable profits for the year ended 31 December 2017 (2016: Nil).

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

	2017 RMB' 000	2016 RMB' 000
Current income tax		
PRC corporate income tax	392,597	360,409
PRC land appreciation tax	179,038	247,595
Deferred income tax (Note 16)	36,100	(202,021)
	607,735	405,983

10 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise by applying the statutory tax rate in the PRC to profits of the group companies as follows:

	2017 RMB'000	2016 RMB'000 (Restated) (Note 2.1.2)
Profit before income tax	**1,597,867**	960,748
Calculated at PRC Corporate income tax rate of 25%	**399,467**	240,187
Expenses not deductible for tax purpose	**32,078**	59,565
Income not subject to taxation	**(26,418)**	(41,742)
Unrecognised tax losses	**8,947**	6,883
Provision for land appreciation tax	**179,038**	247,595
Tax effect on land appreciation tax	**(44,760)**	(61,899)
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**59,383**	(54,486)
Others	**—**	9,880
Income tax expense	**607,735**	405,983

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB' 000	Furniture and office equipment RMB' 000	Motor vehicles RMB' 000	Total RMB' 000
Year ended 31 December 2016				
Opening net book amount	21,858	7,075	7,245	36,178
Additions	—	3,552	864	4,416
Acquisitions of subsidiaries	—	329	—	329
Disposals	—	(126)	(45)	(171)
Disposals of subsidiaries	—	(1,106)	(25)	(1,131)
Depreciation	(2,105)	(3,141)	(2,997)	(8,243)
Exchange differences	2	8	35	45
Closing net book amount	19,755	6,591	5,077	31,423
As at 31 December 2016				
Cost	28,024	17,473	18,555	64,052
Accumulated depreciation	(8,269)	(10,882)	(13,478)	(32,629)
Net book amount	19,755	6,591	5,077	31,423
Year ended 31 December 2017				
Opening net book amount	19,755	6,591	5,077	31,423
Additions	4,702	4,387	2,604	11,693
Acquisitions of subsidiaries (Note 28)	—	357	597	954
Disposals	—	(80)	(638)	(718)
Disposal of a subsidiary (Note 29)	—	(4)	—	(4)
Depreciation	(1,457)	(2,346)	(3,028)	(6,831)
Assets classified as held for sale (Note 21)	—	(134)	(332)	(466)
Exchange differences	(1)	(5)	444	438
Closing net book amount	22,999	8,766	4,724	36,489
As at 31 December 2017				
Cost	32,643	21,672	19,147	73,462
Accumulated depreciation	(9,644)	(12,906)	(14,423)	(36,973)
Net book amount	22,999	8,766	4,724	36,489

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charges were capitalised or expensed in the following categories in the consolidated balance sheet and the consolidated statement of profit or loss:

	2017 RMB' 000	2016 RMB' 000
Properties under development for sale	234	620
General and administrative expenses (Note 6)	6,597	7,623
	6,831	8,243

12 GOODWILL

	RMB' 000
Year ended 31 December 2016	
Opening net book amount	49,535
Impairment of goodwill	—
Closing net book amount	49,535
At 31 December 2016	
Cost	138,659
Accumulated impairment	(89,124)
Net book amount	49,535
Year ended 31 December 2017	
Opening net book amount	49,535
Impairment of goodwill	(49,535)
Closing net book amount	—
At 31 December 2017	
Cost	138,659
Accumulated impairment	(138,659)
Net book amount	—

12 GOODWILL (CONTINUED)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) as at 31 December 2017 as follows:

	Cost RMB'000	Accumulated impairment RMB'000	Net book amount RMB'000
Mix Kingdom Redco			
– West phase 1	3,918	(3,918)	—
– West phase 3	13,581	(13,581)	—
– West phase 4	22,161	(22,161)	—
– West phase 5	44,682	(44,682)	—
– East phase 1A	7,061	(7,061)	—
– East phase 1B	6,806	(6,806)	—
– East phase 2	17,834	(17,834)	—
– East phase 3	17,258	(17,258)	—
Jiangxi Hengfeng Property Services Co., Ltd.	4,423	(4,423)	—
Shandong Xin Guangyou Properties Co., Ltd.	364	(364)	—
Jinan Redco Weisheng Property Development Co., Ltd.	571	(571)	—
	138,659	(138,659)	—

Goodwill is allocated to the Group's cash-generating units (CGUs) as at 31 December 2016 as follows:

	Cost RMB'000	Accumulated impairment RMB'000	Net book amount RMB'000
Mix Kingdom Redco			
– West phase 1	3,918	—	3,918
– West phase 3	13,581	(13,581)	—
– West phase 4	22,161	(22,161)	—
– West phase 5	44,682	—	44,682
– East phase 1A	7,061	(7,061)	—
– East phase 1B	6,806	(6,806)	—
– East phase 2	17,834	(17,834)	—
– East phase 3	17,258	(17,258)	—
Jiangxi Hengfeng Property Services Co., Ltd.	4,423	(4,423)	—
Shandong Xin Guangyou Properties Co., Ltd.	364	—	364
Jinan Redco Weisheng Property Development Co., Ltd.	571	—	571
	138,659	(89,124)	49,535

12 GOODWILL (CONTINUED)

The Group acquired several subsidiaries which are engaged in property development and property management in the PRC. Goodwill represents the excess of consideration transferred over the Group's interest in fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries. The recoverable amount of all CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering the remaining operating life of the phases of Mix Kingdom Redco.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them for the year ended 31 December 2016:

	Mix Kingdom Redco West phase 1	Mix Kingdom Redco West phase 5
Sales price per sq.m (RMB)	6,190	5,700
Construction cost per sq.m (RMB)	2,900	3,300
Gross margin	53%	42%
Discount rate	10%	10%

Management has reviewed the performance of all CGUs and noted that their recoverable amounts less than their carrying amounts. The directors are of the view that there was impairment on goodwill during the year ended 31 December 2017:

	2017 RMB'000	2016 RMB'000
Mix Kingdom Redco		
– West phase 1	3,918	—
– West phase 5	44,682	—
Shandong Xin Guanyon Properties Co., Ltd.	364	—
Jinan Redco Weisheng Property Development Co., Ltd.	571	—
	49,535	—

13 SUBSIDIARIES

(a) Details of the principal subsidiaries at 31 December 2017 are set out below:

Name of companies		Place of incorporation	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by parent(%)	Ownership interest held by the Group(%)	Ownership interest held by non-controlling interests(%)
力高地產控股有限公司	Redco Properties Holdings Limited	The British Virgin Islands ("BVI")	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar and 1 ordinary share of nil consideration, US$1	100%	100%	–
力創國際發展有限公司	Power Creation International Development Limited	BVI	Limited liability company	Investment holding	100 ordinary shares of 1 US dollar each, US$100	–	100%	–
富宏控股有限公司	Max Income Holdings Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
利達集團有限公司	Maxprofit Globe Holdings Limited	BVI	Limited liability company	Investment holding	100 ordinary shares of 1 US dollar each, US$100	–	100%	–
力泉國際投資有限公司	Power Spring International Investments Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
盛高置業投資有限公司	Top Thrive Real Estates Investments Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
力嘉國際投資有限公司	Li Jia International Investments Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
創高環球投資有限公司	Top Creation Worldwide Investments Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
偉力國際發展有限公司	Wei Li International Developments Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
力高教育國際有限公司	Redco Education International Company Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
盛業國際投資有限公司	Shengye International Investments Company Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
偉盛國際投資有限公司	Weisheng International Investments Company Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
偉業國際投資有限公司	Weiye International Investments Company Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2017 are set out below: (Continued)

Name of companies		Place of incorporation	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by parent(%)	Ownership interest held by the Group(%)	Ownership interest held by non-controlling interests(%)
力高教育控股有限公司	Redco Education Holdings Limited	BVI	Limited liability company	Investment holding	1 ordinary shares of 1 US dollar each, US$1	–	100%	–
力高集團(香港)有限公司	Redco Holdings (Hong Kong) Co. Limited	Hong Kong	Limited liability company	Investment holding	100,000 ordinary shares of 1 HK dollar each, HK$100,000	–	100%	–
力盛國際投資有限公司	Power Thrive International Investment Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
力高投資(國際)有限公司	Redco Investment (International) Company Limited	Hong Kong	Limited liability company	Investment holding	10,000 ordinary shares of 1 HK dollar each, HK$10,000	–	50% (Note (i))	50%
興達國際實業有限公司	Bloom Trend International Industrial Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
力高實業投資有限公司	Redco Industrial Investment Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
香港禦高投資有限公司	Hong Kong Royal Lofty Investments Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
力高置業(香港)有限公司	Redco Properties (Hong Kong) Company Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
香港濱江實業有限公司	Hong Kong Bingjiang Industrial Limited	Hong Kong	Limited liability company	Investment holding	150,000,000 ordinary shares of 1 HK dollar each, HK$150,000,000	–	100%	–
香港榮力發展有限公司	Hong Kong Wing Power Developments Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
香港力宏投資有限公司	Hong Kong Power Profit Investments Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
香港盛業投資有限公司	Hong Kong Shengye Investments Company Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
香港偉盛置業有限公司	Hong Kong Weisheng Properties Company Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2017 are set out below: (Continued)

Name of companies		Place of incorporation	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by parent(%)	Ownership interest held by the Group(%)	Ownership interest held by non-controlling interests(%)
香港偉業控股有限公司	Hong Kong Weiye Holdings Company Limited	Hong Kong	Limited liability company	Investment holding	1 ordinary shares of 1 HK dollar each, HK$1	–	100%	–
武漢力高置業有限公司	Wuhan Redco Property Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	–	100%	–
上海明昌置業有限公司	Shanghai Mingchang Real Estate Co,. Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	–	63%	37%
力高(天津)地產有限公司	Redco (Tianjin) Real Estate Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered HK$490,000,000 Paid up HK$490,000,000	–	100%	–
天津力高宏業投資有限公司	Tianjin Redco Hongye Investment Co., Ltd.	PRC	Wholly owned foreign enterprise	Investment holding	Registered US$298,000,000 Paid up US$268,000,000	–	100%	–
天津力高基業有限公司	Tianjin Redco Jiye Co., Ltd.	PRC	Wholly owned foreign enterprise	Operation and management of cultural tourism project in the PRC	Registered RMB1,217,064,630 Paid up RMB 1,217,064,630	–	100%	–
天津力高興業文化傳播有限公司	Tianjin Redco Xingye Cultural Dissemination Co., Ltd.	PRC	Wholly owned foreign enterprise	Cultural product design consulting in the PRC	Registered RMB600,000,000 Paid up RMB 460,519,509	–	100%	–
天津力高盛業有限公司	Tianjin Redco Shengye Investment Co., Ltd.	PRC	Sino-foreign equity joint venture	Operation and management of cultural tourism project in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	70%	30%
長豐聯華置業有限公司	Changfeng Lianhua Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,750,000 Paid up RMB50,750,000	–	80%	20%
合肥力高宏業地產開發有限公司	Hefei Redco Hongye Property Development Co,Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	–	100%	–
合肥力泉置業有限公司	Heifei Liqusan Property Co.,Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	100%	–
合肥力高偉盛地產開發有限公司	Heifei Redco Weisheng Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	–	80%	20%

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2017 are set out below: (Continued)

Name of companies		Place of incorporation	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by parent(%)	Ownership interest held by the Group(%)	Ownership interest held by non-controlling interests(%)
合肥力盛置業有限公司	Hefei Lisheng Property Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up Nil	–	100%	–
合肥力城置業有限公司	Hefei Licheng Property Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	–	70%	30%
合肥市偉力地產開發有限公司	Hefei Weili Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	–	100%	–
合肥力宏置業有限公司	Heferi Lihong Property Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	–	60%	40%
合肥力嘉置業有限公司	Hefei Lijia Property Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up Nil	–	100%	–
合肥磐瑞置業有限公司	Hefei Panrui Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	–	100%	–
合肥智越置業有限公司	Hefei Zhiyue Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	–	100%	–
深圳興居貿易有限公司	Shenzhen Xingju Trading Co., Ltd.	PRC	Limited liability company	Trading in the PRC	Registered RMB1,000,000 Paid up RMB1,000,000	–	100%	–
深圳市今典設計顧問有限公司	Shenzhen Jindian Design Consulting Co., Ltd.	PRC	Limited liability company	Construction design consulting in the PRC	Registered RMB500,000 Paid up RMB500,000	–	100%	–
深圳創信工程造價諮詢有限公司	Shenzhen Chuangxin Construction Cost Consulting Co., Ltd.	PRC	Limited liability company	Construction cost consulting in the PRC	Registered RMB1,000,000 Paid up RMB1,000,000	–	100%	–
深圳市力高大道置業有限公司	Shenzhen Redco Dadao Real Estate Co. Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	–	51%	49%
深圳市力高基業地產開發有限公司	Shenzhen Redco Jiye Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	–	100%	–
深圳力高偉力實業發展有限公司	Shenzhen Redco Weili Shiye Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	–	100%	–

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2017 are set out below: (Continued)

Name of companies		Place of incorporation	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by parent(%)	Ownership interest held by the Group(%)	Ownership interest held by non-controlling interests(%)
深圳市力高宏業新興產業服務有限公司	Shenzhen Redco Hongye Xinxing Real Estate Service Co., Ltd	PRC	Limited liability company	Operation and management of cultural tourism project in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	100%	–
中山市浩域房地產開發有限公司	Zhongshanshi Haoyu Real Estate Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	70%	30%
中山市金田房地產實業發展有限公司	Zhongshan Jintian Real Estate Industry Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB3,333,400 Paid up RMB3,333,400	–	70%	30%
深圳力高文旅產業控股有限公司	Shenzhen Redco Cultural Tourism Industry Holding Co., Ltd.	PRC	Wholly owned foreign enterprise	Operation and management of cultural tourism project in the PRC	Registered US$1,000,000 Paid up Nil	–	100%	–
深圳力高健康醫養控股有限公司	Shenzhen Redco Healthcare & Nutrition Holding Co., Ltd.	PRC	Wholly owned foreign enterprise	Investment holding	Registered US$1,000,000 Paid up Nil	–	100%	–
深圳力高康安健康管理有限公司	Shenzhen Redco Kangan Health Management Co., Ltd.	PRC	Limited liability company	Provision of healthcare service in the PRC	Registered RMB5,000,000 Paid up Nil	–	100%	–
深圳力高長者屋健康投資發展有限公司	Shenzhen Redco Zhangzhewu Health Investment Development Co., Ltd.	PRC	Limited liability company	Provision of healthcare service in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	–	51%	49%
深圳薈美家裝飾工程有限公司	Shenzhen Huimeijia Decoration Engineering Co., Ltd.	PRC	Limited liability company	Construction and design consulting in the PRC	Registered RMB5,000,000 Paid up Nil	–	100%	–
江西萬和房地產開發有限公司	Jiangxi Man Wo Property Development Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered HK$300,000,000 Paid up HK$300,000,000	–	100%	–
江西力高房地產開發有限公司	Jiangxi Redco Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	100%	–
力高置業(江西)有限公司	Redco Development (Jiangxi) Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered HK$150,000,000 Paid up HK$150,000,000	–	50% (Note (ii))	50%

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2017 are set out below: (Continued)

Name of companies		Place of incorporation	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by parent(%)	Ownership interest held by the Group(%)	Ownership interest held by non-controlling interests(%)
江西崇德房地產開發有限公司	Jiangxi Chong De Real Estate Development Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered HK$200,000,000 Paid up HK$200,000,000	–	100%	–
江西政力房地產開發有限公司	Jiangxi Zhengli Property Development Co,. Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB200,000,000 Paid up RMB200,000,000	–	51%	49%
江西力達房地產開發有限公司	Jiangxi Lida Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	–	78%	22%
江西怡居房地產開發有限公司	Jiangxi Yiju Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB80,000,000 Paid up RMB80,000,000	–	51%	49%
江西海祥房地產開發有限公司	Jiangxi Haixiang Property Development Co.Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	–	100%	–
江西力盛置業有限公司	Jiangxi Lisheng Real Estate Co,. Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	–	70%	30%
江西力高盛業地產開發有限公司	Jiangxi Redco Shengye Property Development Co,. Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	–	70%	30%
江西力高旅遊文化產業有限公司	Jiangxi Redco Travel Cultural Real Estate Co,. Ltd	PRC	Limited liability company	Investment holding	Registered RMB100,000,000 Paid up RMB100,000,000	–	100%	–
江西納裕實業有限公司	Jiangxi Nayu Industrial Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB12,000,000 Paid up RMB12,000,000	–	51%	49%
南昌欣榮房地產開發有限公司	Nanchang Xinrong Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	–	30% (Note (iii))	70%
江西力潤房地產開發有限公司	Jiangxi Lirun Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	–	80%	20%
江西力高偉盛企業管理有限公司	Jiangxi Redco Weisheng Business Managing Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	–	100%	–
江西力高國誠地產開發有限公司	Jiangxi Redco Guocheng Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB800,000	–	20% (Note (iv))	80%

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2017 are set out below: (Continued)

Name of companies		Place of incorporation	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by parent(%)	Ownership interest held by the Group(%)	Ownership interest held by non-controlling interests(%)
南昌力高長者屋健康產業有限責任公司	Nanchang Redco Zhangzhewu Health Industry Co., Ltd.	PRC	Limited liability company	Provision of healthcare service in the PRC	Registered RMB1,000,000 Paid up RMB1,000,000	–	51%	49%
江西城高房地產開發有限公司	Jiangxi Chenggao Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB1,000,000	–	80%	20%
力高(中國)地產有限公司	Redco (China) Real Estate Co., Ltd.	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered HK$100,000,000 Paid up HK$100,000,000	–	100%	–
龍岩市力高房地產開發有限公司	Longyan Redco Real Estate Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB1,000,000 Paid up nil	–	60%	40%
泉州麗興房地產開發有限公司	Quanzhou Lixing Real Estate Development Co., Ltd.	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered RMB30,000,000 Paid up RMB30,000,000	–	33% (Note(v))	67%
咸陽力高房地產有限公司	Xianyang Redco Property Development Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	–	70%	30%
西安力高置業有限公司	Xi' an Redco Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up nil	–	100%	–
山東恆嘉置業有限公司	Shandong Hengjia Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB10,000,000 Paid up RMB10,000,000	–	100%	–
山東力高房地產開發有限公司	Shangdong Redco Real Estate Development Co., Ltd.	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered HK$100,000,000 Paid up HK$100,000,000	–	100%	–
煙台力高置業有限公司	Yantai Redco Development Co., Ltd.	PRC	Wholly owned foreign enterprise	Property development in the PRC	Registered US$48,000,000 Paid up US$48,000,000	–	100%	–
山東力高江浩房地產有限公司	Shandong Redco Jianghao Real Estate Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up RMB100,000,000	–	100%	–
山東新廣友置業有限公司	Shandong Xin Guangyou Properties Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB36,734,600 Paid up RMB36,734,600	–	51%	49%

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2017 are set out below: (Continued)

Name of companies		Place of incorporation	Kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest directly held by parent(%)	Ownership interest held by the Group(%)	Ownership interest held by non-controlling interests(%)
濟南力高偉盛地產開發有限公司	Jinan Redco Weisheng Property Development Co.Ltd	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered RMB100,000,000 Paid up RMB 100,000,000	–	80%	20%
濟南力高宏盛地產開發有限公司	Jinan Redco Hongsheng Property Development Co.Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB18,734,600 Paid up nil	–	100%	–
山東嘉力置業有限公司	Shandong Jiali Real Estate Co,. Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up RMB50,000,000	–	80%	20%
山東力高盈力房地產有限公司	Jinan Redco Yingli Property Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB50,000,000 Paid up nil	–	80%	20%
山東力高錦盛基業房地產開發有限公司	Shangdong Redco Jinsheng Jiye Property Development Co., Ltd	PRC	Limited liability company	Property development in the PRC	Registered RMB100,000,000 Paid up nil	–	100%	–
山東力高凱力房地產有限公司	Shandong Redco Kaili Real Estate Co., Ltd.	PRC	Sino-foreign equity joint venture	Property development in the PRC	Registered US$23,529,400 Paid up US$20,000,000	–	85%	15%
濟南東風置業有限公司	Jinan Dongfeng Real Estate Co., Ltd.	PRC	Limited liability company	Property development in the PRC	Registered RMB20,000,000 Paid up RMB20,000,000	–	90%	10%
煙台力高長者屋健康產業投資有限公司	Yantai Redco CP Homes Health Industry Investment Co., Ltd.	PRC	Limited liability company	Provision of healthcare service in the PRC	Registered RMB1,000,000 Paid up RMB1,000,000	–	51%	49%

13 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries at 31 December 2017 are set out below: (Continued)

Note:

(i) Although the Group owns not more than half of the equity interest in Redco Investment (International) Co., Ltd. ("Redco Investment"), it is able to control the financing and operating decisions since the Group and the other shareholder agreed that the directors of the Group have the casting vote in the Board of Directors' meeting for resolution of operating and major decisions. It follows that the Group should consolidate Redco Investment as a subsidiary in the Group's financial statements.

(ii) Although the Group owns not more than half of the equity interest in Redco Development (Jiangxi) Co., Ltd. ("Redco Development"), it is able to control more than one half of the voting rights by virtue of the fact that 3 out of 5 directors are elected by the Group. The decisions are made by simple majority. It follows that the Group should consolidate Redco Development as a subsidiary in the Group's financial statements.

(iii) As the 70% shareholder of Nanchang Xinrong Property Development Co., Ltd ("Nanchang Xinrong") has granted its voting rights to the Group, the Group owns more than half of the voting rights in Nanchang Xinrong and appoints 2 out of 3 directors of the board of Nanchang Xinrong. The decisions are made by simple majority. It follows that the Group should consolidate Nanchang Xinrong as a subsidiary in the Group's financial statements.

(iv) Although the Group owns not more than half of the equity interest in Jiangxi Redco Guocheng Real Estate Development Co., Ltd. ("Jiangxi Redco Guocheng"), it is able to control more than one half of the voting rights by virtue of the fact that 2 out of 3 directors of Jiangxi Redco Guocheng are elected by the Group and the board of Jiangxi Redco Guocheng is able to direct the activities of Jiangxi Redco Guocheng which significantly affect the returns. The decisions are made by simple majority. It follows that the Group should consolidate Jiangxi Redco Guocheng as a subsidiary in the Group's financial statements.

(v) As the 18% shareholder of Quanzhou Lixing Real Estate Development Co., Ltd. ("Quanzhou Lixing") has granted its voting rights to the Group, the Group owns more than half of the voting rights in Quanzhou Lixing and appoints 2 out of 3 directors of the board of Quanzhou Lixing. The decisions are made by simple majority. It follows that the Group should consolidate Quanzhou Lixing as a subsidiary in the Group's financial statements.

(vi) The English names of PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

13 SUBSIDIARIES (CONTINUED)

(b) Set out below are the summarised financial information of Redco Development (Jiangxi) Co., Ltd. ("Redco Development"), Changfeng Lianhua Real Estate Co., Ltd. ("Changfeng Lianhua"), Jiangxi Zhengli Property Development Co., Ltd. and its subsidiary ("Jiangxi Zhengli") and Jiangxi Yiju Property Development Co., Ltd. ("Jiangxi Yiju") that have non-controlling interests that are material to the Group:

Summarised balance sheet

	Redco Development		Changfeng Lianhua		Jiangxi Zhengli		Jiangxi Yiju	
	2017 RMB' 000	2016 RMB' 000	**2017 RMB' 000**	2016 RMB' 000	**2017 RMB' 000**	2016 RMB' 000	**2017 RMB' 000**	2016 RMB' 000
Current								
Assets	**444,889**	450,707	**875,576**	1,457,576	**595,724**	1,716,370	**653,400**	699,664
Liabilities	**(207,502)**	(212,085)	**(395,761)**	(1,141,827)	**(205,041)**	(1,450,821)	**(473,543)**	(379,490)
Total net current assets/(liabilities)	**237,387**	238,622	**479,815**	315,749	**390,683**	265,549	**179,857**	320,174
Non-current								
Assets	**–**	–	**318**	375	**3,196**	9,082	**567**	999
Liabilities	**–**	–	**(6,991)**	(17,901)	**–**	–	**–**	(199,900)
Total non-current net (liabilities)/assets	**–**	–	**(6,673)**	(17,526)	**3,196**	9,082	**567**	(198,901)
Net assets/(liabilities)	**237,387**	238,622	**473,142**	298,223	**393,879**	274,631	**180,424**	121,273

13 SUBSIDIARIES (CONTINUED)

(b) Set out below are the summarised financial information of Redco Development (Jiangxi) Co., Ltd. ("Redco Development"), Changfeng Lianhua Real Estate Co., Ltd. ("Changfeng Lianhua"), Jiangxi Zhengli Property Development Co., Ltd. ("Jiangxi Zhengli") and Jiangxi Yiju Property Development Co., Ltd. and its subsidiary ("Jiangxi Yiju") that have non-controlling interests that are material to the Group: (Continued)

Summarised statement of profit or loss

	Redco Development		Changfeng Lianhua		Jiangxi Zhengli		Jiangxi Yiju	
	2017 RMB' 000	2016 RMB' 000	**2017 RMB' 000**	2016 RMB' 000	**2017 RMB' 000**	2016 RMB' 000	**2017 RMB' 000**	2016 RMB' 000
Net Revenue	**—**	—	**815,175**	349,013	**1,162,258**	1,953,273	**320,962**	475,419
(Loss)/profit before income tax	**(1,235)**	(179)	**361,609**	174,458	**136,735**	222,109	**88,379**	66,512
Income tax expense	**—**	—	**(186,690)**	(78,004)	**(17,847)**	(92,436)	**(29,229)**	(16,722)
Total comprehensive (loss)/income	**(1,235)**	(179)	**174,919**	96,454	**119,248**	129,673	**59,150**	49,790
(Loss)/profit allocated to non-controlling interests	**(618)**	(90)	**34,984**	19,290	**58,432**	63,540	**28,984**	24,397

13 SUBSIDIARIES (CONTINUED)

(b) Set out below are the summarised financial information of Redco Development (Jiangxi) Co., Ltd. ("Redco Development"), Changfeng Lianhua Real Estate Co., Ltd. ("Changfeng Lianhua"), Jiangxi Zhengli Property Development Co., Ltd. and its subsidiary ("Jiangxi Zhengli") and Jiangxi Yiju Property Development Co., Ltd. ("Jiangxi Yiju") that have non-controlling interests that are material to the Group: (Continued)

Summarised statement of cash flows

	Redco Development		Changfeng Lianhua		Jiangxi Zhengli		Jiangxi Yiju	
	2017 RMB' 000	2016 RMB' 000	**2017 RMB' 000**	2016 RMB' 000	**2017 RMB' 000**	2016 RMB' 000	**2017 RMB' 000**	2016 RMB' 000
Cash (used in)/ generated from operating activities	**(1,030)**	(7,169)	**(69,154)**	87,383	**(188,068)**	146,612	**252,433**	101,869
Income tax paid	**–**	–	**(78,478)**	(60,725)	**(23,486)**	(48,156)	**(37,193)**	(14,488)
Net cash (used in)/ generated from operating activities	**(1,030)**	(7,169)	**(147,632)**	26,658	**(211,554)**	98,456	**215,240**	87,381
Net cash generated from investing activities	**–**	14	**57,138**	1,168	**976**	2,697	**432**	708
Net cash (used in)/ generated from financing activities	**–**	–	**–**	–	**–**	(16,000)	**(199,900)**	(80,100)
Net (decrease)/ increase in cash and cash equivalents	**(1,030)**	(7,155)	**(90,494)**	27,826	**(210,578)**	(58,847)	**15,772**	7,989
Cash and cash equivalents at beginning of year	**1,830**	8,985	**208,180**	180,354	**432,126**	490,973	**69,038**	61,049
Cash and cash equivalents at end of year	**800**	1,830	**117,686**	208,180	**221,548**	432,126	**84,810**	69,038

The information above is before inter-company eliminations.

14 INVESTMENT PROPERTY

	2017 RMB' 000	2016 RMB' 000
At 1 January	—	—
Transfer from properties under development for sale (Note (a))	75,502	—
Capitalised subsequent expenditure	131	—
Fair value gain	359,036	—
At 31 December	434,669	—

Note:

(a) During the year ended 31 December 2017, the Group has entered into a rental agreement with a third party for property under development for sale, indicating a change in the intended use of the property under development for sale. As a result, the property under development for sale was reclassified as investment property carried at fair value.

Fair value measurement

As at 31 December 2017, the fair values of the investment properties were measured at level 3 of fair value hierarchy using significant unobservable inputs.

There were no transfers between levels 1, 2 and 3 during the year.

Valuation process of investment property

The Group engages an external, independent and qualified valuer, Jiangxi Hengfang Real Estate and Land Valuation Consultancy Co., Ltd. ("江西恒方房地產土地估價諮詢有限公司") to determine the fair values of the investment property at the reporting date. As at 31 December 2017, the fair value of the investment property was determined by Jiangxi Hengfang Real Estate and Land Valuation Consultancy Co., Ltd. to be approximately RMB434,669,000.

The Group' s finance department reviews the valuations performed by Jiangxi Hengfeang Real Estate and Land Valuation Consultancy Co., Ltd. for financial reporting purpose. These valuation results are then reported to the Group' s management for discussions and review in relation to the valuation processes and the reasonableness of valuation results.

Information about fair value measurements using significant unobservable input (Level 3) is as follows:

Description	Fair value (RMB' 000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment property under development- PRC	434,669	Residual method	(1) Market selling prices (2) Developer' s margin	(1) RMB19,678 per sq.m. (2) 35%	The higher the market selling prices and lower the developer' s margin, the higher the fair value

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated balance sheet are as follows:

	2017 RMB' 000	2016 RMB' 000 (Restated) (Note 2.1.2)
Associates	561,586	27,983
Joint ventures	472,935	346,449
At 31 December	1,034,521	374,432

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2017 RMB' 000	2016 RMB' 000 (Restated) (Note 2.1.2)
Associates	14,546	983
Joint ventures	68,324	5,629
For the year ended 31 December	82,870	6,612

(a) *Interest in associates*

	2017 RMB' 000	2016 RMB' 000
At beginning of the year	27,983	—
Additions	275,664	—
Recognition of investment in an associate upon disposal of subsidiaries	—	27,000
Share of profit		
– Gain on bargain purchase (Note a)	12,317	983
– Others	2,229	—
At end of the year	318,193	27,983
A loan due from an associate (Note b)	243,393	—
	561,586	27,983

Note:

(a) The gain on bargain purchase was mainly resulted from the fact that other shareholders intended to cooperate with an experienced property developer who can bring in industry expertise.

(b) The loan due from Ganzhou Baoherun Co., Limited bears interest of 10% per annum, unsecured and repayable on demand. The carrying value approximates its fair value and is denominated in RMB.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Nature of interest in associates

Name of entity	Principal place of business	% of ownership indirectly held interest 2017	% of ownership indirectly held interest 2016	Nature of the relationship	Measurement method
Top Glory International Holdings Limited ("Top Glory")	PRC	**45%**	45%	Note i	Equity
Jiangxi Chang Da Rui Feng Technology Development Co., Limited (江西昌大瑞豐科技發展有限公司) ("Jiangxi Chang Da Rui Feng")	PRC	**20%**	N/A	Note ii	Equity
Jiangxi Life Sunshine City Investment Co., Limited (江西生命陽光城投資股份有限公司) ("Jiangxi Life Sunshine City")	PRC	**25%**	N/A	Note iii	Equity
Ganzhou Baoherun Co., Limited (贛州葆和潤實業有限公司) ("Ganzhou Baoherun")	PRC	**20%**	N/A	Note iv	Equity
Xianyang Baorong Co., Limited (咸陽保榮實業有限公司) ("Xianyang Baorong")	PRC	**75%**	N/A	Note v	Equity

The associates held by the Group have share capital consisting solely of ordinary shares, which are held directly by the Group. All of the associates are private companies with no quoted market price available for its shares.

Note:

(i) Top Glory is incorporated in the British Virgin Islands. It is an investment holding company and its subsidiaries are mainly engaged in property management service in the PRC. Top Glory is accounted for as an associate following the disposal of 55% interest by the Group on 30 November 2016.

(ii) Jiangxi Chang Da Rui Feng is a limited liability company incorporated on 8 April 2003. The principal activities are property development and biotechnology development in the PRC. Jiangxi Chang Da Rui Feng is accounted for as an associate following the acquisition of 20% interest at a consideration of RMB24,381,000 by the Group on 30 June 2017.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Nature of interest in associates (Continued)

Note: (Continued)

(iii) Jingxi Life Sunshine City is a limited liability company incorporated on 11 July 2013. The principal activities are property development and management in the PRC.Jiangxi Life sunshine City is accounted for as an associate following the acquisition of 25% interest at a consideration of RMB5,000,000 by the Group on 15 July 2017.

(iv) Ganzhou Baoherun is a limited liability company incorporated on 19 June 2014. The principal activities are property development and management in the PRC. Ganzhou Baoherun is accounted for as an associate following at a consolidation of RMB57,500,000, representing 20% interest, on 30 September 2017.

The property project of Ganzhou Baoherun consists of three phases. The Group is entitled to 20% interest of phase 2 and none of the interests of phase 1 and 3.

(v) Xianyang Baorong is a limited liability company incorporated on 5 September 2011. The principal activities are property development and management in the PRC. Xianyang Baorong is accounted for as an associate following the acquisition of 75% interest at a consideration of RMB188,783,000 by the Group and the Group obtained the significant influence on 31 December 2017.

The property project of Xianyang Baorong consists of two phases. The Group is entitled to 75% interest of phase 2 and none of the interests of phase 1.

Under HKFRS 10, the Company is required to consolidate as subsidiaries in its financial statements, companies which it controls. The Company controls another company if it has (i) power over the other company, (ii) exposure or rights to variable returns from its involvement with the other company and (iii) ability to use its power over the other company to affect the amount of the Company' s returns. All three of these requirements must be met. The Company has assessed whether to consolidate Xianyang Baorong as a subsidiary in its financial statements in the light of the provisions of HKFRS 10.

Even though the Company holds 75% of the shareholding and voting right, the directors of the Company is of the view, having considered the terms stated in the operating agreement entered into with the other shareholder and the way in which the board of the Company governs the affairs of Xianyang Baorong in practice, that the Company does not have power over certain operating business of Xianyang Baorong and is not exposed to or able to obtain variable returns from that operating segment for the purposes of HKFRS 10. It follows that the three requirements in HKFRS 10 for consolidation have not been met, the Company should not consolidate Xianyang Baorong as a subsidiary in the Company' s financial statements and should account for its interest in Xianyang Baorong as an associated company.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) Summarised financial information for the associates

Set out below are the summarized financial information for Top Glory and its subsidiaries and Xianyang Baorong which, in the opinion of the directors, are material to the Group and other associates ("Others"). The information disclosed reflects the amounts presented in the financial statements of the associate and not the Group' s share of those amounts. They have been amended to reflect adjustments when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

Summarised balance sheet

	Top Glory and its subsidiaries		Xianyang Baorong (Note (i))		Others	
	2017 RMB' 000	2016 RMB' 000	2017 RMB' 000	2016 RMB' 000	2017 RMB' 000	2016 RMB' 000
Cash and cash equivalents	62,391	34,680	1,611	—	107,833	—
Other current assets (excluding cash)	11,326	9,243	265,774	—	1,187,951	—
Total current assets	73,717	43,923	267,385	—	1,295,784	—
Financial current liabilities (excluding trade payables)	—	—	—	—	(30,000)	—
Other current liabilities (including trade payables)	(59,749)	(42,192)	(196,988)	—	(831,024)	—
Total current liabilities	(59,749)	(42,192)	(196,988)	—	(861,024)	—
Non-current assets	1,802	901	49	—	117,094	—
Financial liabilities (excluding trade payables)	—	—	—	—	(243,393)	—
Other liabilities	—	—	(7,457)	—	(75,000)	—
Total non-current liabilities	—	—	—	—	(318,393)	—
Non-controlling interests	(3,866)	(2,710)	—	—	—	—
Net assets/(liabilities)	11,904	(78)	62,989	—	233,461	—

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) Summarised financial information for the associates (Continued)

Summarised income statement

	Top Glory and its subsidiaries		Others	
	2017 RMB' 000	2016 RMB' 000	**2017 RMB' 000**	2016 RMB' 000
Revenue	**103,262**	69,022	**6,380**	—
Depreciation	**(211)**	(235)	**(4,643)**	—
Operating profit/(loss)	**14,685**	5,796	**(40,280)**	—
Interest income	**—**	41	**145**	—
Interest expenses	**—**	—	**(12,002)**	—
Tax expenses	**(1,674)**	(1,265)	**—**	—
Profit attributable to non-controlling interests	**(1,156)**	(869)	**—**	—
Total comprehensive income/(loss)	**11,855**	3,703	**(52,137)**	—

No dividend has been paid or declared by the associates to the Group since the dates of investments.

As mentioned in Note 15(b)(iv) and Note 15(b)(v), the Group does not have control or power over certain phases of Ganzhou Baoherun and Xianyang Baorong. However, the Group has contingent liabilities relating to liabilities of those operating bushiness which they have no control or power over when there is any defaults. As of 31 December 2017, there is no indicator of such defaults and the outflow of resources of the Group is not probable.

Save as above, there are no other contingent liabilities relating to the Group's interest in associates.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) *Summarised financial information for the associates (Continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information of the associates presented to the carrying amount of the Group' s interest in associates.

	Top Glory and its subsidiaries		Xianyang Baorong (Note (i))		Others		Total	
	2017 RMB' 000	2016 RMB' 000	2017 RMB' 000	2016 RMB' 000	2017 RMB' 000	2016 RMB' 000	2017 RMB' 000	2016 RMB' 000
Opening net assets 1 January	2,185	—	—	—	—	—	2,185	—
Initial recognition of the investment	—	—	122,586	—	341,794	—	464,380	—
Profit/(loss) for the year/period	11,855	2,185	—	—	(15,575)	—	(3,660)	2,185
Closing net assets	14,040	2,185	122,586	—	326,280	—	462,905	2,185
Interest in associates	6,318	983	91,940	—	65,837	—	164,095	983
Recognition of investment in an associate upon disposal of subsidiaries	27,000	27,000	—	—	—	—	27,000	27,000
Implicit goodwill	—	—	96,843	—	30,255	—	127,098	—
A loan due from an associate	—	—	—	—	243,393	—	243,393	—
Carrying value	33,318	27,983	188,783	—	339,485	—	561,586	27,983

Note (i):

As mentioned in Note 15 (b)(v), the Group does not have power over certain operating business of Xianyang Baorong and is not exposed to or able to obtain variable returns from that operating segment. During the year, the income statement mainly reflected financial performance of that operating segment and is irrelevant to the Group. Hence the income statement of Xianyang Baorong has not been disclosed for the year ended 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(d) Interest in joint ventures

	2017 RMB' 000	2016 RMB' 000 (Restated) (Note 2.1.2)
At beginning of the year	338,185	195,980
Capital injection to joint ventures	500	136,576
Disposal of a joint venture (Note a)	(5,123)	—
Share of profit	68,324	5,629
Net asset attributable to the Group' s interest	401,886	338,185
Unrealised gain from the transaction with a joint venture	(23,040)	(23,340)
At end of the year	378,846	314,845
Loans due from joint ventures (Note b)	94,089	31,604
	472,935	346,449

Note:

(a) On 14 December 2017, Redco (China) Real Estate Co., Ltd. agreed to sell 36% of the equity interest of its joint venture, Jiangxi Manwei Property Development Co., Limited ("Jiangxi Manwei"), at a cash consideration of RMB16,875,000 to its joint venture partner of Jiangxi Manwei and the transaction was completed on the same day. Upon the completion, Jiangxi Manwei was derecognised as a joint venture of the Group and the gain on disposal was included in "other (losses)/gains, net" in the consolidated statement of profit or loss (Note 7).

(b) The loans due from joint ventures, Hui Gao Investments Development Limited and Power Out International Holding Limited (FY2016: Redco Industry (Jiangxi) Co., Limited), are interest-free, unsecured and have no fixed repayment terms. The carrying amounts approximate their fair values.

(e) Nature of interest in joint ventures

Name of entity	Principal place of business	% of ownership indirectly held interest 2017	2016	Nature of the relationship	Measurement Method
Redco Industry (Jiangxi) Co., Limited ("Redco Industry")	PRC	50%	50%	Note 1	Equity
Nanchang Guogao Property Development Co., Limited (南昌國高房地產置業有限公司) ("Nanchang Guogao")	PRC	51%	51%	Note 2	Equity

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(e) Nature of interest in joint ventures (Continued)

Name of entity	Principal place of business	% of ownership indirectly held interest 2017	2016	Nature of the relationship	Measurement Method
Jiangxi Po Hu Feng Qing Property Development Co., Limited (江西鄱湖風情置業有限公司)	PRC	**60%**	60%	Note 3	Equity
Power Out International Holding Limited	PRC	**68%**	68%	Note 4	Equity
Hui Gao Investments Development Limited ("Hui Gao")	PRC	**51%**	51%	Note 5	Equity
Shenzhen Redco Hongye Property Development Co., Limited (深圳力高宏業地產開發有限公司) ("Shenzhen Redco Hongye")	PRC	**50%**	N/A	Note 6	Equity

The Group has joint control over the above entities under contractual agreements, and unanimous consent is required from all parties for all relevant activities of the entities.

The joint ventures held by the Group have share capital consisting solely of ordinary shares, which are held directly by the Group. All of the joint ventures are private companies with no quoted market price available for its shares.

Note 1: Redco Industry (Jiangxi) Co., Limited was a wholly owned foreign enterprise incorporated on 28 July 2010. The principal activity is hotel operations in the PRC.

Note 2: Nanchang Guogao Property Development Co., Ltd was a limited liability company incorporated in the PRC on 21 January 2016. The principal activity is property development in the PRC.

Note 3: Jiangxi Po Hu Feng Qing Property Development Co., Limited was a limited liability company incorporated in the PRC on 8 July 2014. The principal activity is property development in the PRC.

Note 4: Power Out International Holding Limited was incorporated in the British Virgin islands on 8 July 2016. This is an investment holding company and its subsidiaries mainly engaged in property development projects.

Note 5: Hui Gao Investments Development Limited ("Hui Gao") was incorporated in the British Virgin islands on 15 June 2012. This is an investment holding company and its subsidiary is mainly engaged in property development projects.

Note 6: Shenzhen Redco Hongye was a limited liability company incorporated in the PRC on 29 August 2014. On 1 September 2017, additional shares of Shenzhen Redco Hongye which represent 50% of its equity interest were issued to Shenzhen Qishun Kaisa Development Co., Limited and both parties have equal voting rights in the board of directors. As a result, Shenzhen Redco Hongye become a joint venture of the Group (2016: indirectly wholly-owned subsidiary). Shenzhen Redco Hongye is mainly engaged in property development projects.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(f) Summarised financial information for the joint ventures

Set out below are the summarized financial information for Redco Industry and Nanchang Guogao which, in the opinion of the directors, are material to the Group and other immaterial joint ventures ("Others"). The information disclosed reflects the amounts presented in the financial statements of the joint ventures and not the Group' s share of those amounts. They have been amended to reflect adjustments when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

Summarised balance sheet

	Redco Industry		Nanchang Guogao		Others	
	2017 RMB' 000	2016 RMB' 000 (Restated) (Note 2.1.2)	**2017 RMB' 000**	2016 RMB' 000	**2017 RMB' 000**	2016 RMB' 000
Cash and cash equivalents	**32,123**	21,654	**156,474**	165,111	**5,733**	15,837
Other current assets (excluding cash)	**27,781**	36,558	**678,140**	798,907	**211,774**	466,850
Total current assets	**59,904**	58,212	**834,614**	964,018	**217,507**	482,687
Financial current liabilities (excluding trade payables)	**—**	(7,000)	**—**	—	**—**	—
Other current liabilities (including trade payables)	**(64,328)**	(71,863)	**(515,688)**	(364,452)	**(339,125)**	(303,277)
Total current liabilities	**(64,328)**	(78,863)	**(515,688)**	(364,452)	**(339,125)**	(303,277)
Non-current assets	**506,436**	469,586	**14,433**	532	**455,879**	38,231
Financial liabilities (excluding trade payables)	**—**	—	**—**	(380,000)	**(356,227)**	(180,000)
Other liabilities	**(41,296)**	(29,621)	**—**	—	**—**	—
Total non-current liabilities	**(41,296)**	(29,621)	**—**	(380,000)	**(356,227)**	(180,000)
Non-controlling interests	**—**	—	**—**	—	**(3)**	—
Net assets	**460,716**	419,314	**333,359**	220,098	**(21,969)**	37,641

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(f) *Summarised financial information for the joint ventures (Continued)*

Summarised income statement

	Redco Industry		Nanchang Guogao		Others	
	2017 RMB' 000	2016 RMB' 000 (Restated) (Note 2.1.2)	2017 RMB' 000	2016 RMB' 000	2017 RMB' 000	2016 RMB' 000
Revenue	92,041	94,515	535,400	—	—	—
Depreciation	(13,748)	(14,089)	(141)	(37)	(42)	(10)
Operating profit/(loss)	6,365	(1,370)	160,736	(10,206)	(11,361)	(3,590)
Fair value gain on an investment property	46,696	39,061	—	—	—	—
Interest income	46	25	423	304	59	15
Interest expenses	(31)	(598)	—	—	(12,356)	(6,318)
Tax (expenses)/credit	(11,674)	(9,765)	(47,898)	—	386	—
Total comprehensive income/(loss)	41,402	27,353	113,261	(9,902)	(23,290)	(9,893)
Unrecognised share of losses	—	—	—	—	13,512	470
Cumulative unrecoginsed share of losses	—	—	—	—	13,983	470

No dividend has been paid or declared by the joint ventures to the Group since the dates of investments.

A corporate guarantee provided by the Group to the subsidiary of Power Out International Holding Limited for a loan facility. Please see Note 31(c) for details.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(f) Summarised financial information for the joint ventures (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information of the joint ventures presented to the carrying amount of the Group's interest in joint ventures.

	Redco Industry		Nanchang Guogao		Others		Total	
	2017 RMB'000	2016 RMB'000 (Restated) (Note 2.1.2)	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000 (Restated) (Note 2.1.2)
Opening net assets 1 January	**419,314**	391,961	**220,098**	—	**37,641**	—	**677,053**	391,961
Initial recognition of the investment	**—**	—	**—**	230,000	**1,000**	47,534	**1,000**	277,534
Disposal of a joint venture	**—**	—	**—**	—	**(12,720)**	—	**(12,720)**	—
Profit/(loss) for the year	**41,402**	27,353	**113,261**	(9,902)	**(47,383)**	(9,893)	**167,262**	7,558
Closing net assets/ (liabilities)	**460,716**	419,314	**333,359**	220,098	**(21,463)**	37,641	**772,595**	677,053
Interest in joint ventures	**230,357**	209,657	**170,013**	112,249	**213**	14,283	**400,583**	336,189
Unrealised profit from the transaction with a joint venture	**(23,040)**	(23,340)	**—**	—	**—**	—	**(23,040)**	(23,040)
Implicit goodwill	**—**	—	**1,303**	1,303	**—**	693	**1,303**	1,996
Loans due from joint ventures	**—**	31,604	**—**	—	**94,089**	—	**94,089**	31,604
Carrying value	**207,317**	217,921	**171,316**	113,552	**94,302**	14,976	**472,935**	346,449

16 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The analysis of deferred tax (liabilities)/assets, net, is as follows:

	2017 RMB' 000	2016 RMB' 000
Deferred income tax assets		
– to be recovered within 12 months	**207,350**	176,590
– to be recovered after more than 12 months	**31,581**	42,543
	238,931	219,133
Deferred income tax liabilities		
– to be settled within 12 months	**(35,683)**	(62,323)
– to be settled after more than 12 months	**(229,921)**	(80,287)
	(265,604)	(142,610)
Deferred tax (liabilities)/assets, net	**(26,673)**	76,523

The movements on the net deferred income tax assets/(liabilities) are as follows:

	2017 RMB' 000	2016 RMB' 000
At 1 January	**76,523**	(125,498)
(Charged)/credited to the consolidated statement of profit or loss (Note 10)	**(36,100)**	202,021
Acquisition of subsidiaries (Note 28)	**(64,718)**	—
Assets classified as held for sale (Note 21)	**(2,194)**	—
Disposal of a subsidiary	**(184)**	—
At 31 December	**(26,673)**	76,523

16 DEFERRED INCOME TAX (CONTINUED)

Deferred tax assets:

	Unrealised profit RMB' 000	Tax losses RMB' 000	Provisions RMB' 000	Total RMB' 000
At 1 January 2016	6,195	40,083	12,167	58,445
(Charged)/credited to consolidated statement of profit of loss	(360)	5,434	155,614	160,688
At 31 December 2016	5,835	45,517	167,781	219,133
At 1 January 2017	**5,835**	**45,517**	**167,781**	**219,133**
(Charged)/credited to consolidated statement of profit of loss	**(75)**	**10,524**	**11,727**	**22,176**
Disposal of a subsidiary	**—**	**(184)**	**—**	**(184)**
Assets classified as held for sale	**—**	**(2,194)**	**—**	**(2,194)**
At 31 December 2017	**5,760**	**53,663**	**179,508**	**238,931**

Deferred tax liabilities:

	Fair value adjustment on acquisition of subsidiaries RMB' 000	Fair value gain on an investment property RMB' 000	Interest capitalised RMB' 000	Withholding tax RMB' 000	Total RMB' 000
At 1 January 2016	22,272	—	47,065	114,606	183,943
(Credited)/charged to consolidated statement of profit of loss	(4,371)	—	6,583	(43,545)	(41,333)
At 31 December 2016	17,901	—	53,648	71,061	142,610
At 1 January 2017	**17,901**	**—**	**53,648**	**71,061**	**142,610**
(Credited)/charged to consolidated statement of profit of loss	**(10,910)**	**89,759**	**(39,956)**	**19,383**	**58,276**
Acquisition of subsidiaries	**64,718**	**—**	**—**	**—**	**64,718**
At 31 December 2017	**71,709**	**89,759**	**13,692**	**90,444**	**265,604**

16 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2017 and 2016, the unrecognised tax losses are as follows:

	2017 RMB' 000	2016 RMB' 000
Expiry date in:		
2017	—	3,079
2018	3,206	3,575
2019	38,730	42,943
2020	24,100	24,931
2021	27,530	27,530
2022	35,789	—
No expiry date	15,369	15,369
	144,724	117,427

During the year, tax losses amounting to RMB3,313,000 (2016: RMB1,583,000) expired.

Pursuant to the relevant PRC corporate income tax rules and regulations, deferred tax on withholding tax is imposed on declared dividends in respect of profits earned by the Group' s PRC subsidiaries from 1 January 2008.

Deferred income tax liabilities of approximately RMB45,087,000 (2016: RMB45,087,000) as at 31 December 2017 have not been provided for in the consolidated balance sheet in respect of temporary differences attributable to accumulated profits of Group' s certain PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

17 COMPLETED PROPERTIES HELD FOR SALE

	2017 RMB' 000	2016 RMB' 000
Amount comprised:		
Land use rights	671,492	864,220
Construction costs and capitalised expenditures	761,718	1,000,048
Interest capitalised	130,882	108,213
	1,564,092	1,972,481

Completed properties held for sale are all located in the PRC.

18 PROPERTIES UNDER DEVELOPMENT FOR SALE

	2017 RMB' 000	2016 RMB' 000
Within normal operating cycle included under current assets		
Amount comprised:		
Land use rights	3,653,337	3,187,033
Construction costs and capitalised expenditures	1,790,369	2,106,718
Interest capitalised	284,748	424,173
	5,728,454	5,717,924

The normal operating cycle of the Group' s property development generally ranges from one to two years.

The properties under development for sale are all located in the PRC.

	2017 RMB' 000	2016 RMB' 000
Properties under development for sale:		
Expected to be completed and available for sale after more than 12 months	2,873,776	1,422,374
Expected to be completed and available for sale within 12 months	2,854,678	4,295,550
	5,728,454	5,717,924
Pledged as collateral for the Group' s borrowings	2,963,928	3,062,560

19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 RMB' 000	2016 RMB' 000
Trade receivables (Note a)	**147,910**	79,089
Accrued contract revenue (Note b)	**700,000**	417,500
	847,910	496,589
Other receivables	**1,117,961**	559,926
Deposits with local real estate associations (Note c)	**1,109,331**	494,728
Deposits with labour department	**2,645**	5,446
Deposits with treasury bureau	**4,747**	4,747
	2,234,684	1,064,847
Prepaid business tax and surcharges	**26,623**	103,178
Prepayment of purchase of property, plant and equipment	**475,236**	—
Prepayment for construction costs	**4,888**	55,080
Prepayment for land use rights	**678,602**	369,746
Prepayment for acquisition of subsidiaries	**254,000**	61,200
	3,674,033	1,654,051
Less: Non-current portion prepayment for purchase of property, plant and equipment	**(475,236)**	—
	3,198,797	1,654,051
	4,046,707	2,150,640

Note:

(a) Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. Credit terms are generally granted to certain customers and the customers are required to settle the receivables according to the sales and purchase agreements. The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date was as follows:

	2017 RMB' 000	2016 RMB' 000
0 - 30 days	**95,312**	47,595
31 - 60 days	**9,130**	—
61 - 90 days	**16,660**	—
91 – 180 days	**7,888**	—
Over 180 days	**18,920**	31,494
	147,910	79,089

As at 31 December 2017, trade receivables of RMB140,590,000 (2016: RMB40,741,000) were overdue but not impaired. These receivables relate to certain customers that are financially viable. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Note: (Continued)

(a) The ageing analysis of these trade receivables was as follows:

	2017 RMB' 000	2016 RMB' 000
0 - 30 days	**88,712**	31,061
31 - 60 days	**9,130**	—
61 - 90 days	**16,660**	—
91 - 180 days	**7,888**	—
Over 180 days	**18,200**	9,680
	140,590	40,741

(b) Accrued contract revenue arises from the Group' s sea reclamation service to the PRC government. The sea reclamation service provided to the customer was completed and the corresponding receivable balance is not yet billed due to administrative procedures as at 31 December 2017.

(c) The deposits with local real estate associations mainly included deposits made to PRC government bodies for future land development and site clearing for the listing-for-sale or in connection with the retention of the quality for properties construction as required by the relevant regulations in respect of the Group' s property development projects.

(d) RMB45,000,000 was paid to an independent third party (the "Seller") in December 2016 as a deposit for the purchase of property, plant and equipment and no formal sales and purchase agreement was entered into with the Seller as at 31 December 2016. The deposit was refundable before entering into the sales and purchase agreement. Hence, it was classified in other receivables as at 31 December 2016.

(e) Trade receivables are secured by the properties sold. The carrying amounts of trade receivables approximate their fair values and are interest-free and repayable on demand.

(f) The carrying amounts of other receivables and deposits approximate their fair values and are unsecured, interest-free and repayable on demand.

(g) The carrying amounts of the Group' s trade receivables and other receivables are all denominated in RMB.

20 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2017 RMB' 000	2016 RMB' 000
Cash at bank and on hand	**3,587,770**	2,417,219
Less: assets classified as held for sales (Note 21)	**(708)**	—
Cash and cash equivalents	**3,587,062**	2,417,219
Restricted cash	**1,318,450**	1,186,255
Cash and cash equivalents and restricted cash	**4,905,512**	3,603,474

20 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

The carrying amounts of the Group's cash and cash equivalents and restricted cash are equivalent to their fair values and are denominated in the following currencies:

	2017 **RMB'000**	2016 RMB'000
RMB	**4,121,026**	3,329,619
US$	**751,421**	168,976
HK$	**33,065**	104,879
	4,905,512	3,603,474

The cash and cash equivalents and restricted cash denominated in RMB are deposited with banks in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Restricted cash comprises (i) guaranteed deposits for the mortgage loan facilities granted by banks to purchasers of the Group's properties, (ii) guaranteed deposits for constructions of properties from certain property development companies of the Group that are required to place certain amount of presale proceeds of properties in designated bank accounts in accordance with relevant regulations issued by local State-Owned Land and Resource Bureau, and (iii) other bank deposits that are restricted in use as collateral for banking facilities of the Group.

21 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 19 December 2017, Tianjin Redco Shengye Company Limited (天津力高盛業有限公司), an indirectly subsidiary of the Group incorporated in the PRC, entered into an agreement (the "Agreement") with Shanghai Zhong Da Industry Development Company Limited (上海重達實業發展有限公司) (the "Purchaser"), a company incorporated in the PRC which is principally engaged in investment holding and independent of the Group, in relation to the disposal of all its equity interest in Shanghai Mingchang Real Estate Company Limited (上海明昌置業有限公司) (the "Disposal Company"). As of the date of the Agreement, the Disposal Company was principally engaged in property development. The consideration for the disposal is approximately RMB671,798,000 (subject to adjustment). Approximately RMB67,179,800, representing 10% of the consideration, has been paid by the Purchaser (Note 25). Completion is conditional upon the satisfaction of certain conditions precedents stipulated in the Agreement. As a result of the Agreement, the Disposal Company is no longer treated as a subsidiary of the Group and its financial results are not consolidated with the results of the Group.

21 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

The following assets and liabilities were reclassified as held for sale in relation to the Disposal Company as at 31 December 2017:

	RMB' 000
Assets classified as held for sale	
Property, plant and equipment (Note 11)	466
Deferred income tax assets (Note 16)	2,194
Properties under development for sale	462,536
Trade and other receivables, deposits and prepayments	2,027
Cash and cash equivalents	708
Total assets of the Disposal Company held for sale	467,931
Liabilities directly associated with assets classified as held for sale	
Trade and other payables	(1,544)
Total liabilities of the Disposal Company held for sale	(1,544)

22 SHARE CAPITAL

	Number of Share	Par value per share	Share Capital HK$' 000	Share Capital RMB' 000
Authorised:				
As at 1 January 2015, 31 December 2015 and 1 January 2016	5,000,000,000	HK$0.10	500,000	418,899
Effect of share subdivision (Note a)	5,000,000,000	—	—	—
As at 31 December 2016, 1 January 2017 and 31 December 2017	10,000,000,000	HK$0.05	500,000	418,899
As at 31 December 2017				
Issued and fully paid:				
As at 1 January 2016	1,775,804,661	HK$0.10	177,580	139,632
Effect of share sub-division (Note a)	1,775,804,661	—	—	—
As at 31 December 2016, 1 January 2017 and 31 December 2017	3,551,609,322	HK$0.05	177,580	139,632

Note:

(a) Pursuant to the resolution passed at the extraordinary general meeting of the Company on 27 October 2016, the then issued and unissued shares of the Company of HK$0.10 each was sub-divided into two shares of HK$0.05 each on 28 October 2016.

23 RESERVES

	Share premium RMB' 000	Exchange reserve RMB' 000	Statutory reserve RMB' 000	Merger reserve RMB' 000	Other reserves RMB' 000	Retained earnings RMB' 000	Total RMB' 000
At 1 January 2016, as previously reported	1,241,423	(95,249)	191,609	134,402	(416)	911,537	2,383,306
Effect of changes in accounting policy (Note 2.1.2)	–	–	–	–	–	31,572	31,572
At 1 January 2016 (Restated)	1,241,423	(95,249)	191,609	134,402	(416)	943,109	2,414,878
Comprehensive income Profit for the year, as previously reported	–	–	–	–	–	434,319	434,319
Effect of changes in accounting policy (Note 2.1.2)	–	–	–	–	–	16,437	16,437
	–	–	–	–	–	450,756	450,756
Other comprehensive loss							
Currency translation differences	–	(145,579)	–	–	–	–	(145,579)
Transfer to statutory reserve	–	–	63,230	–	–	(63,230)	–
Total comprehensive (loss)/income	–	(145,579)	63,230	–	–	387,526	305,177
Transactions with owner:							
Change in ownership interests in subsidiary without change in control (Note 28)	–	–	–	–	(9,810)	–	(9,810)
Total transactions with owners, recognised in equity	–	–	–	–	(9,810)	–	(9,810)
At 31 December 2016 (Restated)	1,241,423	(240,828)	254,839	134,402	(10,226)	1,330,635	2,710,245
Comprehensive income							
Profit for the year	–	–	–	–	–	862,237	862,237
Other comprehensive income							
Currency translations differences	–	170,639	–	–	–	–	170,639
Transfer to statutory reserve	–	–	65,042	–	–	(65,042)	–
Total comprehensive income	–	170,639	65,042	–	–	797,195	1,032,876
Transactions with owner:							
Dividends relating to 2017 interim (Note 36)	–	–	–	–	–	(71,032)	(71,032)
Total transactions with owners, recognised in equity	–	–	–	–	–	(71,032)	(71,032)
At 31 December 2017	1,241,423	(70,189)	319,881	134,402	(10,226)	2,056,798	3,672,089

24 BORROWINGS

	2017 RMB' 000	2016 RMB' 000
Long-term bank borrowings, secured	3,982,100	2,464,328
Senior Notes due 2019, secured	—	855,204
Non-current borrowings, secured	3,982,100	3,319,532
Short-term bank borrowings, secured	472,300	—
Senior Notes due 2018, secured	1,622,697	—
	2,094,997	—
Portion of term loan from bank, secured		
– due for repayment within one year, secured	1,002,286	90,100
– due for repayment within one year which contain a repayment on demand clause, secured	24,500	46,863
– due for repayment after one year which contain a repayment on demand clause, secured	139,336	172,737
Current bank borrowings, secured	3,261,119	309,700
Total borrowings	7,243,219	3,629,232

The Group' s borrowings as at 31 December 2017 of RMB2,425,680,000 (2016: RMB1,670,720,000), were secured by certain properties under development for sale of the Group (Note 17) with the carrying values of RMB 2,963,928,000 (2016: RMB3,062,560,000). The Group' s borrowings as at 31 December 2017 of RMB 4,817,539,000 (2016: RMB1,958,512,000) were guaranteed by the Company and secured by the Group' s equity interests in certain subsidiaries.

Bank borrowings bear interest from 2.90% to 9.50% (2016: 3.22% to 9.72%) per annum.

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group' s total borrowings at the respective balance sheet dates (i.e. ignoring the effect of any repayment on demand clause) are shown below:

	2017 RMB' 000	2016 RMB' 000
Amounts of borrowings that are repayable:		
– Within 1 year	3,121,783	136,963
– Between 1 and 2 years	2,113,509	845,143
– Between 2 and 5 years	2,007,917	2,647,126
Total borrowings	7,243,219	3,629,232

24 BORROWINGS (CONTINUED)

The carrying amounts of the Group's bank borrowings approximate their fair values for the reason that the impact of discounting is not significant or the borrowings carrying floating rate of interests and are denominated in the following currencies:

	2017 RMB' 000	2016 RMB' 000
US$	**3,879,876**	1,738,912
RMB	**3,199,507**	1,670,720
HK$	**163,836**	219,600
	7,243,219	3,629,232

On 9 August 2017, the Company redeemed an aggregate principal amount of US$125,000,000 of all outstanding senior notes due 2019 (the "Senior Notes due 2019") at the redemption price equal to 106.875% of the principal amount thereof, being US$133,593,750 plus accrued and unpaid interest of US$381,944 up to 9 August 2017. The total redemption price paid by the Company was US$133,975,694. The withdrawal of listing of the Senior Notes due 2019 on the Stock Exchange became effective upon the close of business on 21 August 2017. The loss on early redemption of Senior Notes due 2019 of approximately RMB58,031,000 was included in "finance income and costs" in the consolidated statement profit or loss.

On 15 November 2017, the Company issued 7% senior notes due 2018 with an aggregate nominal value of US$125,000,000 at par value (the "Senior Notes due 2018"). The interest is payable semi-annually in arrears. The Senior Notes due 2018 will mature on 14 November 2018, unless redeemed earlier. The Company, at its option, can redeem the Senior Notes due 2018 (i) in whole or in part, at a redemption price equal to 101% of principal amount plus accrued and unpaid interest, if any, to (but not including) the redemption date; (ii) redeem up to 35% of the aggregate principal amount of the Senior Notes due 2018, at a redemption price of 107% of the principal amount of the Senior Notes due 2018, plus accrued and unpaid interest, if any, to (but not including) the redemption date, in each case, using the net cash proceeds from sales of certain kinds of capital stock at any time and from time to time prior to 14 November 2018 and (iii) redeem the Notes at any time, in whole but not in part, at a price equal to 100% of the principal amount of such Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date and a premium prior to 14 November 2018.

The Senior Notes due 2018 are secured by the shares of certain subsidiaries of the Company which are incorporated outside the PRC. The Senior Notes due 2018 are listed on the Singapore Exchange Securities Trading Limited.

The early redemption option of Senior Notes due 2018 is regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption option was insignificant on recognition and at 31 December 2017.

25 TRADE AND OTHER PAYABLES

	2017 RMB' 000	2016 RMB' 000
Trade payables (Note a)	**1,401,828**	1,383,728
Accruals and other payables	**313,637**	291,622
Land use right payable	**—**	335,024
Deposit received for the sale of the Disposal Company (Note 21)	**67,180**	—
Divided payables	**6,907**	—
Other taxes payables	**364,314**	213,147
Salary payables	**2,246**	1,017
	2,156,112	2,224,538

Note:

(a) The ageing analysis of the trade payables based on invoice date was as follows:

	2017 RMB' 000	2016 RMB' 000
0 - 30 days	**1,348,561**	1,288,657
31 - 60 days	**418**	9,434
61 - 90 days	**13,859**	2,243
Over 90 days	**38,990**	83,394
	1,401,828	1,383,728

(b) The carrying amounts of the Group' s trade payables approximate their fair values due to their short maturities and are denominated in RMB.

26 RECEIPTS IN ADVANCE

The Group starts sales of properties and collection of proceeds from customers before the properties are completed and ready for delivery. Such proceeds from customers are recorded as advanced proceeds received from customers before the relevant sales are recognised.

27 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to net cash generated from operations:

	2017 RMB' 000	2016 RMB' 000 (Restated) (Note 2.1.2)
Profit for the year	990,132	554,765
– Income tax expense	607,735	405,983
– Depreciation on property, plant and equipment	6,597	7,623
– Finance income	(44,729)	(15,302)
– Finance costs	70,945	6,364
– Gain on disposal of subsidiaries	(1,566)	(123,036)
– Gain on disposal of investment in a joint venture	(11,752)	—
– Gains on bargain purchase arising from acquisition of subsidiaries	(1,150)	—
– Gain on disposal of property, plant and equipment	(226)	(184)
– Fair value gain on an investment property	(359,036)	—
– Share of profit of investment accounted for using the equity method, net	(82,870)	(6,612)
– Impairment of goodwill	49,535	—
– Realisation of unrealised gain from the transaction with a joint venture	(300)	(1,440)
– Unrealised exchange differences	24,089	(28,298)
Operating profit before working capital change	1,247,407	799,863
– Completed properties held for sale	408,389	(735,435)
– Properties under development for sale	1,423,390	2,389,902
– Trade and other receivables and prepayments	(1,752,614)	(771,273)
– Receipts in advance	271,620	1,286,607
– Trade and other payables	(1,134,710)	(414,346)
– Restricted cash	(132,195)	(517,496)
Net cash generated from operations	331,287	2,037,822

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2017 RMB' 000	2016 RMB' 000
Net book amount (Note 11)	718	171
Net gain on disposals of property, plant and equipment (Note 7)	226	184
Proceeds from disposals of property, plant and equipment	944	355

27 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(c) Reconciliation of liabilities from financing activities

The below table sets out an analysis of net debt and the movements in net debt for each year presented.

	Liabilities from financing activities				
	Borrowings due within 1 year RMB' 000	Borrowing due after 1 year RMB' 000	Amounts to non-controlling interests RMB' 000	Amounts to joint ventures RMB' 000	Total RMB' 000
Net debt as at 31 December 2016	309,700	3,319,532	451,308	65,663	4,146,203
Repayment of advances from non-controlling interests	—	—	(334,894)	—	(334,894)
Advances from joint ventures	—	—	—	74,546	74,546
Proceeds from bank borrowings	1,668,155	3,328,846	—	—	4,997,001
Repayment of bank borrowings	(921,096)	(1,190,004)	—	—	(2,111,100)
Issuance of Senior Notes due 2018	1,673,784	—	—	—	1,673,784
Redemption of Senior Notes due 2019	—	(899,974)	—	—	(899,974)
Other non-cash movements	596,111	(460,294)	—	—	135,817
Foreign exchange adjustments	(65,535)	(116,006)	—	—	(181,541)
Net debt as at 31 December 2017	3,261,119	3,982,100	116,414	140,209	7,499,842

28 ACQUISITION OF SUBSIDIARIES

28.1 Business combination

(a) Acquisition of Zhongshan Jintian Real Estate Development Co., Ltd.

On 1 July 2017, the Group completed the acquisition of 70% equity interest of Zhongshan Jintian Real Estate Development Co., Ltd. (中山市金田房地產實業發展有限公司) ("Zhongshan Jintian") at a consideration of RMB60,341,000. Zhongshan Jintian is principally engaged in property development in Guangdong Province and has a property project developing in Huang Pu Town, Zhongshan.

28 ACQUISITION OF SUBSIDIARIES (CONTINUED)

28.1 Business combination (Continued)

(b) Acquisition of Jinan Dongfeng Real Estate Co., Ltd.

On 19 July 2017, the Group completed the acquisition of 100% effective interest of Jinan Dongfeng Real Estate Co., Ltd. (濟南東風置業有限公司) ("Jinan Dongfeng") at a consideration of RMB123,862,000. Jinan Dongfeng is principally engaged in property development in Shandong Province and has a property project developing in Zhang Qiu District, Jinan.

The following table summarises the consideration paid for the acquisitions of Zhongshan Jintian and Jinan Dongfeng, the fair value of assets acquired and liabilities assumed at the acquisition date. The non-controlling interests are measured at fair value as at the acquisition date.

	Zhongshan Jintian RMB' 000	Jinan Dongfeng RMB' 000
Consideration paid and payable as at acquisition date	60,341	123,862
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Property, plant and equipment	417	—
Properties under development	146,855	236,122
Prepayments, deposits and other receivable	33,257	14,481
Cash and cash equivalents	—	266
Borrowings	(5,000)	—
Other payables	(60,456)	(89,833)
Deferred income tax liabilities	(28,278)	(36,440)
Total identifiable net assets acquired	86,795	124,596
Less: Non-controlling interest initially recognised	(26,038)	—
Less: Gains on bargain purchase (Note 7)	(416)	(734)
Net assets acquired	60,341	123,862
Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries:		
Cash consideration paid	60,341	123,862
Less: Prepayment for acquisition paid in prior year	—	—
Less: Cash and cash equivalents acquired	—	(266)
Net cash outflow in the year of 2017	60,341	123,596

Gains on bargain purchase were mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons to cooperate with an experienced property developer who can bring in industry expertise.

28 ACQUISITION OF SUBSIDIARIES (CONTINUED)

28.1 Business combination (Continued)

(b) Acquisition of Jinan Dongfeng Real Estate Co., Ltd. (continued)

The acquired businesses contributed net losses of RMB5,148,000 to the Group for the period from the respective acquisition dates to 31 December 2017. If the acquisitions had occurred on 1 January 2017, consolidated revenue and net loss for the year ended 31 December 2017 would have been nil and RMB8,375,000 respectively.

28.2 Assets acquisition

(a) Acquisition of Nanchang Xinrong Real Estate Development Co., Ltd.

On 3 March 2017, the Group completed the acquisition of 30% equity interest of Nanchang Xinrong Real Estate Development Co., Ltd. (南昌欣榮房地產開發有限公司) ("Nanchang Xinrong") at a consideration of RMB3,000,000. Nanchang Xinrong is principally engaged in property development in Jiangxi Province and holds a parcel of land in Yin San Jiao Xiang Tang Development District, Nanchang. As the 70% shareholder of Nanchang Xinrong Property Development Co., Ltd ("Nanchang Xinrong") has granted its voting rights to the Group, the Group owns more than half of the voting rights in Nanchang Xinrong and appoints 2 out of 3 directors of the board of Nanchang Xinrong. The decisions are made by simple majority. It follows that the Group should consolidate Nanchang Xinrong as a subsidiary in the Group' s financial statements.

(b) Acquisition of Jiangxi Nayu Property Co., Ltd

On 5 May 2017, the Group completed the acquisition of 51% equity interest of Jiangxi Nayu Property Co., Ltd. (江西納裕實業有限公司) ("Jiangxi Nayu") at a consideration of RMB61,200,000. Jiangxi Nayu is principally engaged in property development in Jiangxi Province and holds a parcel of land in Chang Nan New District, Nanchang.

(c) Acquisition of Hefei Zhiyue Real Estate Co., Ltd. and Hefei Panrui Real Estate Co., Ltd.

On 21 July 2017, the Group completed the acquisition of 100% equity interest of both Hefei Panrui Real Estate Co., Ltd. (合肥磐瑞置業有限公司) ("Hefei Panrui") and Hefei Zhiyue Real Estate Co., Ltd. (合肥智越置業有限公司) ("Hefei Zhiyue") at a consideration of RMB330,861,000. Hefei Panrui and Hefei Zhiyue are principally engaged in property development in Anhui Province and hold a parcel of land in Hefei East Economic Development District, Hefei.

(d) Acquisition of Quanzhou Lixing Real Estate Development Co., Ltd.

On 5 December 2017, the Group completed the acquisition of 33% equity interest of Quanzhou Lixing Real Estate Development Co., Ltd. (泉州麗興房地產開發有限公司) ("Quanzhou Lixing") at a consideration of RMB10,000,000. Quanzhou Lixing is principally engaged in property development in Fujian Province and holds a parcel of land in Taiwan Business District Investment Zone, Quanzhou. As the 18% shareholder of Quanzhou Lixing Real Estate Development Co., Ltd. ("Quanzhou Lixing") has granted its voting rights to the Group, the Group owns more than half of the voting rights in Quanzhou Lixing and appoints 2 out of 3 directors of the board of Quanzhou Lixing. The decisions are made by simple majority It follows that the Group should consolidate Quanzhou Lixing as a subsidiary in the Group' s financial statements.

As Nanchang Xinrong, Jiangxi Nayu, Hefei Panrui, Hefei Zhiyue and Quanzhou Lixing did not operate any business prior to the date of acquisition, the Group considers the nature of the acquisition as acquisition of assets in substance and the consideration should be attributable to the individual assets acquired and liabilities assumed.

28 ACQUISITION OF SUBSIDIARIES (CONTINUED)

28.2 Assets acquisition (Continued)

The following table summarises the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Nanchang Xinrong RMB' 000	Jiangxi Nayu RMB' 000	Hefei Panrui RMB' 000	Hefei Zhiyue RMB' 000	Quanzhou Lixing RMB' 000
Consideration paid and payable as at acquisition date	3,000	61,200	178,089	152,772	10,000
Recognised amounts of identifiable assets acquired and liabilities assumed:					
Property, plant and equipment	19	368	—	—	150
Prepayments, deposits and other receivable	107,308	78,918	1,276	1,071	28,236
Properties under development	30,848	124,434	570,912	489,936	15,825
Cash and cash equivalents	5	10,847	7	206	5
Borrowings	—	(55,000)	—	—	—
Other payables	(128,835)	(46,549)	(394,106)	(338,441)	(16,951)
Total identifiable net assets acquired	9,345	113,018	178,089	152,772	27,265
Less: Non-controlling interest initially recognised	(6,345)	(51,818)	—	—	(17,265)
Net assets acquired	3,000	61,200	178,089	152,772	10,000
Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries:					
Cash consideration paid	3,000	61,200	178,089	152,772	10,000
Less: Prepayment for acquisition paid in prior year	—	(61,200)	—	—	—
Less: Cash and cash equivalents acquired	(5)	(10,847)	(7)	(206)	(5)
Net cash outflow/(inflow) in the year of 2017	2,995	(10,847)	178,082	152,566	9,995

29 DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2017, the Group disposed of 50% of its equity interest in Shenzhen Redco Hongye Property Development Co., Ltd., ("Shenzhen Redco Hongye") to an independent third party at nil consideration, resulting in a gain on disposal of approximately RMB1,566,000 as Shenzhen Redco Hongye was at net deficit position. The net cash outflow arising from the disposal is RMB672,000. Subsequent to the disposal, Shenzhen Redco Hongye is accounted for as a joint venture of the Group.

30 COMMITMENTS

(a) Capital commitments

	2017 RMB' 000	2016 RMB' 000
Contracted but not provided for:		
– Property development expenditures	2,244,062	1,192,719
– Acquisition of subsidiaries	146,446	—
– Capital injection to a joint venture	5,357	—

(b) Operating lease commitments

At 31 December 2017, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of office as follows:

	2017 RMB' 000	2016 RMB' 000
No later than one year	904	570
Later than one year and no later than 5 years	272	—
	1,176	570

31 FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

(a) Guarantees on mortgage facilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities at the end of each of the following reporting periods:

	2017 RMB' 000	2016 RMB' 000
Guarantees in respect of mortgage facilities for certain purchasers of the Group' s properties	6,052,438	5,100,315

The Group has arranged bank financing for certain purchasers of the Group' s properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

31 FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES (CONTINUED)

(a) Guarantees on mortgage facilities (Continued)

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The Group's guarantee period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the fair value of financial guarantees is immaterial.

(b) There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings (Note 24) as at 31 December 2017 and 2016. The directors consider that the subsidiaries are sufficiently financially resourced to settle their obligations.

(c) The Company provides a corporate guarantee of AUD 70,000,000 to the subsidiary of Power Out International Ltd., a joint venture of the Group, for a loan facility which was fully utilised by the joint venture. The directors of the Company are of the opinion that it is not probable that the above guarantee will be called upon and the fair value of this financial guarantees is immaterial.

Save as disclosed above, the Group and the Company had no other significant contingent liabilities as at 31 December 2017 (2016: Nil).

32 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 December 2017, the Group had aggregate banking facilities of approximately RMB7,944,228,000 (2016: RMB3,881,306,000) for overdrafts and bank loans. There were unused facilities of approximately RMB1,472,200,000 as at the same date (2016: RMB876,250,000).

As at 31 December 2017 and 2016, the borrowings of the Group were secured by (i) corporate guarantees of the Company; and (ii) certain land and properties under development for sale of the Group's subsidiaries.

The Senior Notes due 2018 are secured by shares of certain subsidiaries of the Company which are incorporated outside the PRC.

33 EARNINGS PER SHARE

The basic earnings per share for the year ended 31 December 2017 is calculated based on the profit attributable to owners of the Company.

	2017	2016 (Restated) (Note 2.1.2)
Profit attributable to owners of the Company (RMB' 000)	**862,237**	450,756
Weighted average number of shares in issue	**3,551,609,322**	3,551,609,322
Basic earnings per share (RMB cents)	**24.28**	12.69

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for the years ended 31 December 2017 and 2016.

The calculation of basic earnings per share for the year ended 31 December 2016 has been restated to reflect the changes in accounting policy (Note 2.1.2).

34 AMOUNTS DUE FROM/(TO) NON-CONTROLLING INTERESTS

Except for amounts due from non-controlling interest of RMB267,517,939 and RMB15,000,000 which bears interest of 10% and 11% per annum respectively and are secured by their interests in the Group' s subsidiaries, the amounts due from/(to) non-controlling interests are interest-free, unsecured, repayable on demand. The carrying values approximate their fair values and are denominated in RMB.

35 RELATED PARTY TRANSACTIONS

The Group is controlled by Wong Yeuk Hung and Huang Ruoqing, who own 39.06% and 26.04% of the Company's shares respectively.

Major related parties that had transactions with the Group were as follows:

Related parties	Relationship with the Company
Top Glory International Holdings Ltd. and its subsidiaries	An associate
Jiangxi Chang Da Rui Feng Technology Development Co., Ltd. 江西昌大瑞豐科技發展有限公司	An associate
Jiangxi Life Sunshine City Investment Co., Ltd. 江西生命陽光城投資股份有限供公司	An associate
Ganzhou Baoherun Co., Ltd. 贛州葆和潤實業有限公司	An associate
Xianyang Barrong Co., Ltd. 咸陽保榮實業有限公司	An associate
Redco Industry (Jiangxi) Co., Ltd. 力高實業 (江西) 有限公司	A joint venture
Nanchang Guogao Property Development Co., Ltd. 南昌國高房地產置業有限公司	A joint venture
Jiangxi Po Hu Feng Qing Property Development Co., Ltd. 江西鄱湖風情置業有限公司	A joint venture
Hui Gao Investments Development Ltd. and its subsidiary 匯高投資發展有限公司	A joint venture
Power Out International Holding Ltd. and its subsidiaries 力澳國際控股有限公司	A joint venture
Shenzhen Redco Hongye Property Development Co., Ltd. 深圳力高宏業地產開發有限公司	A joint venture
Wong Yeuk Hung (Mr. Wong) 黃若虹	A major shareholder and director of the Group (Note a)
Huang Ruoqing (Mr. Huang) 黃若青	A major shareholder and director of the Group

Note:

(a) Mr. Wong was appointed as an executive director and chairman of the Board with effect from 9 March 2017.

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) *Balances with related parties*

(i) *Amounts due from joint ventures*

	2017 RMB' 000	2016 RMB' 000	Nature	Interest	Currency
Jiangxi Manwei Property Development Co., Ltd.	—	56,483	Non-trade	10%	RMB
Hui Gao Investments Development Ltd. and its subsidiary	—	44,227	Non-trade	N/A	HKD
Redco Industry (Jiangxi) Co., Ltd.	27,911	—	Non-trade	N/A	RMB
Jiangxi Po Hu Feng Qing Property Development Co., Ltd.	25,212	13,200	Non-trade	N/A	RMB
Power Out International Holding Ltd. and its subsidiaries	—	74	Non-trade	N/A	HKD
	53,123	113,984			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

(ii) *Amounts due to joint ventures*

	2017 RMB' 000	2016 RMB' 000	Nature	Interest	Currency
Shenzhen Redco Hongye Property Development Co., Ltd.	12,737	—	Non-trade	N/A	RMB
Hui Gao Investments Development Ltd. and its subsidiary	8,701	—	Non-trade	N/A	HKD
Power Out International Holding Ltd. and its subsidiaries	2,108	—	Non-trade	N/A	HKD
Nanchang Guogao Property Development Co. Ltd.	116,663	65,663	Non-trade	N/A	RMB
	140,209	65,663			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

(iii) *Amounts due from associates*

	2017 RMB' 000	2016 RMB' 000	Nature	Interest	Currency
Top Glory International Holdings Ltd. and its subsidiaries	6,719	3,479	Non-trade	N/A	RMB
Jiangxi Life Sunshine City Investment Co., Ltd.	16,000	—	Non-trade	N/A	RMB
Jiangxi Chang Da Rui Feng Technology Development Co., Ltd.	10,000	—	Non-trade	N/A	RMB
	32,719	3,479			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

Save as disclosed in Note 31(c), the Group has the following related party transactions.

(i) During the year ended 31 December 2017, the Group purchased property management service amounting to RMB31,695,000 (2016: RMB3,392,000) from Top Glory International Holdings Ltd. and its subsidiaries, at prices mutually agreed by contracted parties.

(ii) During the year ended 31 December 2017, the Group provided project management consultancy service amounting to RMB28,125,000 (2016: Nil) and RMB 136,000 (2016: Nil) to its joint ventures and an associate respectively.

(c) Key management compensation

Key management includes executive directors and top management. The compensation paid or payable to key management for employee services is shown below:

	2017 RMB' 000	2016 RMB' 000
Salaries, bonus and other benefits	7,642	6,217
Pension costs - defined contribution plan	225	241
	7,867	6,458

36 DIVIDENDS

	2017 RMB' 000	2016 RMB' 000
Interim dividend of RMB 2 cents (2016: Nil) per ordinary share	71,032	—
Proposed final dividend of RMB 3 cents (2016: Nil) per ordinary share	106,548	—
	177,580	—

A final dividend for the year ended 31 December 2017 of RMB 3 cents (2016: Nil) per ordinary share, totally approximately RMB106,548,000 (2016: Nil) has been recommended by the Board for approval at the forthcoming annual general meeting of the Company. The proposed final dividend has not been dealt with as dividend payable as at 31 December 2017.

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	2017 RMB' 000	2016 RMB' 000
ASSETS			
Non-current asset			
Investment in a subsidiary		389,362	389,362
Current assets			
Prepayments		733	420
Amounts due from subsidiaries		5,123,090	2,830,850
Cash and cash equivalents		348,323	114,757
		5,472,146	2,946,027
Total assets		5,861,508	3,335,389
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		139,632	139,632
Reserves	(a)	1,815,652	1,403,162
Total equity		1,955,284	1,542,794
Liabilities			
Non-current liability			
Borrowings		2,117,595	1,738,912
Current liabilities			
Accrued expense		24,913	52,253
Amount due to a subsidiary		1,435	1,430
Borrowings		1,762,281	—
		1,788,629	53,683
Total liabilities		3,906,224	1,792,595
Total equity and liabilities		5,861,508	3,335,389

The balance sheet of the Company was approved for issue by the Board of Directors on 28 March 2018 and were signed on its behalf:

WONG Yeuk Hung
Director

HUANG Ruoqing
Director

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a): Reserve movement of the Company

	Share premium RMB' 000	Contribution surplus RMB' 000	Exchange reserve RMB' 000	Accumulated losses RMB' 000	Total RMB' 000
At 1 January 2016	1,241,423	390,766	56,902	(159,437)	1,529,654
Comprehensive income					
– Loss for the year	—	—	—	(181,524)	(181,524)
Other comprehensive income					
– Currency translation differences	—	—	55,032	—	55,032
Total comprehensive income/(loss)	—	—	55,032	(181,524)	(126,492)
At 31 December 2016	1,241,423	390,766	111,934	(340,961)	1,403,162
Comprehensive income					
– Profit for the year	—	—	—	522,504	522,504
Other comprehensive loss					
– Currency translation differences	—	—	(38,982)	—	(38,982)
Total comprehensive income/(loss)	—	—	(38,982)	522,504	483,522
Transactions with owners					
– Dividend relating to 2017 interim	—	—	—	(71,032)	(71,032)
At 31 December 2017	1,241,423	390,766	72,952	110,511	1,815,652

38 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTOR) REGULATION (CAP. 622G) AND HK LISTING RULES

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive is set out below:

For the year ended 31 December 2017:

Name	Fees RMB' 000	Salary (Note a) RMB' 000	Discretionary bonuses RMB' 000	Employer's contribution to a retirement benefit scheme RMB' 000	Total RMB' 000
Executive Directors					
Mr.WONG Yeuk Hung	—	1,790	—	14	1,804
Mr. HUANG Ruoqing	—	2,000	—	16	2,016
Mr. TANG Chengyong	—	1,028	300	58	1,386
Mr. HONG Duxuan (Note a)	—	256	—	16	272
Independent non-executive directors					
Dr. WONG Yau Kar, David BBS, JP	216	—	—	—	216
Mr. CHAU On Ta Yuan	216	—	—	—	216
Mr. YIP Tai Him	216	—	—	—	216
Mr. CHOW Kwong Fai, Edward JP	260	—	—	—	260
	908	5,074	300	104	6,386

38 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTOR) REGULATION (CAP. 622G) AND HK LISTING RULES (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2016:

Name	Fees RMB'000	Salary (Note a) RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive Directors					
Mr. HUANG Ruoqing	—	1,811	—	16	1,827
Mr. TANG Chengyong	—	1,031	408	60	1,499
Mr. HONG Duxuan (Note a)	—	1,033	179	65	1,277
Independent non-executive directors					
Dr. WONG Yau Kar, David BBS, JP	217	—	—	—	217
Mr. CHAU On Ta Yuan	217	—	—	—	217
Mr. YIP Tai Him	217	—	—	—	217
Mr. CHOW Kwong Fai, Edward JP	260	—	—	—	260
	911	3,875	587	141	5,514

Note a:

Mr. HONG Duxuan resigned as an executive director with effect from 9 March 2017.

Note b:

Salary received by the executive directors included all emoluments paid or receivable in respect of directors' services in connection with the management of the Company and its subsidiary undertakings.

Note c:

Save as disclosed above, the directors did not receive or will not receive any other retirement benefits or termination benefits during the year (2016: Nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

39 SUBSEQUENT EVENTS

On 23 February 2018, the Company issued 6.375% senior notes due 2019 with an aggregate nominal value of US$300,000,000 at par value (the "6.375% senior notes due 2019"). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately US$297,500,000. The 6.375% Senior Notes due 2019 will mature on 27 February 2019, unless redeemed earlier.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and the Company's prospectus dated 21 January 2014, is set out below:

	2013 RMB' 000 (Restated)	2014 RMB' 000 (Restated)	2015 RMB' 000 (Restated)	2016 RMB' 000 (Restated)	**2017** **RMB' 000**
Revenue	2,984,586	3,502,804	3,378,217	5,270,090	**6,734,067**
Gross profit	966,127	946,257	1,088,246	1,085,339	**1,676,440**
Operating profit	825,822	694,442	813,665	945,198	**1,154,213**
Profit before income tax	846,569	706,728	832,421	960,748	**1,597,867**
Profit for the year	418,124	380,884	404,799	554,765	**990,132**
Attributable to:					
Owners of the Company	417,413	350,391	412,180	450,756	**862,237**
Non-controlling interests	711	30,493	(7,381)	104,009	**127,895**
	418,124	380,884	404,799	554,765	**990,132**
Non-Current Assets	302,704	319,603	340,961	674,523	**2,219,846**
Current Assets	7,716,116	9,271,681	12,886,234	14,180,183	**17,652,161**
Current Liabilities	5,790,284	5,263,074	7,367,955	7,987,529	**11,015,003**
Non-current Liabilities	1,059,797	2,266,314	2,933,970	3,462,142	**4,247,704**
Total Equity	1,168,739	2,061,896	2,925,270	3,405,035	**4,609,300**

PROPERTY PROFILE

Project	City	% of interest attributable to the Group	Actual/Expected completion date	Address	Project type
Crown International	Nanchang	50%	Q4 2011	No.288 Yanjiang Middle Avenue, Xihu District, Nanchang, Jiangxi Province, PRC	Residential and commercial
Crown Plaza Nanchang Riverside Hotel (Note)	Nanchang	50%	Q3 2011	Nos. 258 and 266 Yanjiang Middle Avenue, Xihu District, Nanchang, Jiangxi Province, PRC	Commercial
Spain Standard	Nanchang	100%	Q4 2014	Jinsha 2nd Road, Xianghu Xin Cheng, Nanchang County, Nanchang, Jiangxi Province, PRC	Residential and commercial
Riverside International	Nanchang	100%	Q4 2014	Intersection of Binjian Road and Yujin Road, Chaoyang Xin Cheng, Xihu District, Nanchang, Jiangxi Province, PRC	Residential and commercial
Bluelake County	Nanchang	100%	Q3 2016	South of Lian' an Road, East of Cheng' an Road, Xianghu Xin Cheng, Nanchang County, Nanchang, Jiangxi Province, PRC	Residential and commercial
Riverlake International	Nanchang	51%	Q2 2017	West of Chuangxin First Road, North and east of Planned Road, South of Provincial Academy of Scienes, Gaoxin District, Nanchang, Jiangxi Province, PRC	Residential and commercial
Imperial Metropolis	Nanchang	51%	Q4 2017	Lianhua Road, Nanchang County, Nan Chang, Jiangxi Province, PRC	Residential and commercial
Imperial Mansion	Nanchang	78%	Q4 2016	Lianhua Road, Nanchang County, Nan Chang, Jiangxi Province, PRC	Residential and commercial
Bluelake International	Nanchang	51%	Q4 2017	No.20 Qingshan North Road, Donghu District, Nanchang, Jiangxi Province, PRC	Residential and commercial
Luxurious Royal	Nanchang	51%	Q3 2019	South of Dongyue Avenue, East of Fusheng East Road, West of Taohua West Road, Changnan New City, Nanchang County, Jiangxi Province, PRC	Residential and commercial
Royal Family	Nanchang	30%	Q4 2018	West of National Road 320, National Stadium, Xiangtang Development Zone, Nanchang County, Jiangxi Province, PRC	Residential and commercial
The Garden of Spring	Nanchang	42%	Q2 2018	Zuokuyuan Village, Ruihong, Yugan County, Shangrao, Jiangxi Province, PRC	Residential and commercial
Fifth Avenue	Ganzhou	20%	Q4 2020	No. 3 Qinjiang Road, Zhangjiang New District, Ganzhou, Jiangxi Province, PRC	Residential and commercial
Sunshine Coast	Tianjin	100%	Q4 2028	South of Haibin Avenue, Binhai Tourism District, Tianjin, PRC	Residential and commercial
Land Lot Nos. A1 and A2	Tianjin	100%	Q2 2018	Land Lot Nos. A1 and A2, Binhai Tourism District, Tianjin, PRC	Residential and commercial
Redco International	Jinan	100%	Q2 2014	North of Hanyuan Avenue, East of Tiyu West Road, Lixia District, Jinan, Shandong Province, PRC	Residential and commercial
Splendid the Legend	Jinan	100%	Q2 2013	No.99 Sankongqiao Street, Tianqiao District, Jinan, Shandong Province, PRC	Residential and commercial
Scenery Holiday	Jinan	100%	Q1 2012	No.111 Huayuan Road, Lixia District, Jinan, Shandong Province, PRC	Residential and commercial
Royal Family	Jinan	51%	Q4 2018	No. 52 Zhangzhuang Road, Huaiyin District, Jinan, Shangdong Province, PRC	Residential and commercial
Bluelake County	Jinan	80%	Q4 2018	North of Sushan Road, West of Dongyu Avenue, Tianqiao District Jinan, Shandong Province	Residential and commercial
Imperial Mansion	Jinan	90%	Q4 2018	South of Jinqing Road, West of Shihe Street, Jinan, Shandong Province, PRC	Residential and commercial
Redco Visionary	Jinan	85%	Q4 2018	Southwest of Junction of Jing' er Road and Weisan Road, Jiyang County, Jinan, Shandong Province, PRC	Residential and commercial
Sunshine Coast – Phase I	Yantai	100%	Q2 2016	East of Nongda Road, Gaoxin District, Yantai, Shandong Province, PRC	Residential and commercial
Sunhine Coast - Phase II	Yantai	100%	Q4 2018	East of Nongda Road, Gaoxin District, Yantai,Shandong Province, PRC	Residential and commercial

PROPERTY PROFILE

Project	City	% of interest attributable to the Group	Actual/Expected completion date	Address	Project type
Sunhine Coast - Phase III	Yantai	100%	Q2 2019	East of Nongda Road, Gaoxin District, Yantai,Shandong Province, PRC	Residential and commercial
Mix Kingdom Redco	Hefei	80%	Q2 2017	Mengcheng North Road, Shuangfeng Industrial Zone, Changfeng County, Hefei, Anhui Province, PRC	Residential and commercial
Prince Royal Family	Hefei	100%	Q2 2017	East of Fengshan Road, south of Tianshui Road, Xinzhan District, Hefei City, Anhui Province, the PRC	Residential and commercial
Royal International	Hefei	80%	Q2 2019	Southwest corner of the Junction of Baogong Avenue and Linquan East Road, Di' an Town, Feidong County, Anhui Province, PRC	Residential and commercial
Blelake City	Hefei	70%	Q2 2020	300 meters Junction North of Yangtze River Road and Zhenxi Road, Feidong County, Hefei, Anhui Province, PRC	Residential and commercial
Royal City - Phase I	Xianyang	70%	Q3 2017	Zhonghua West Road, Gaoxin District, Xiangyang, Shaanxi Province, PRC	Residential and commercial
Majestic Mansion	Xianyang	75%	Q4 2020	Southeast corner of the Junction of Tiangong First Road and Zhouwen Road, Zhouling Town, Xihan New District, Xianyang, Shaanxi Province, PRC	Residential and commercial
Royal International	Shenzhen	51%	Q2 2016	Lot No. G11337-0095, Pingshan New District, Shenzhen, Guangdong Province, PRC	Residential and commercial
Mingchang Building	Shanghai	54%	Q4 2019	No. 11 of 407 Street, New Jiangwan City, Yangpu District, Shanghai, PRC	Commercial
Royal Family	Zhongshan	70%	Q2 2019	No. 46, Fuhua Road, West District, Zhongshan, Guangdong Province, PRC	Residential and commercial
Bluelake Landmark	Zhangshan	70%	Q3 2019	Donghuan Road, Huangpu Town, Zhongshan, Guangdong Province, PRC	Residential and commercial
Bayview	Quan Zhou	33%	Q4 2019	Junction of Kailin Road and Lianxiang Road, Taiwanese Investment Zone, Quanzhou, Fujian Province, PRC	Residential and commercial
Prime	Sydney, Australia	26%	Q1 2010	101 Waterloo Road, Macquarie Park, Sydney, Australia	Residential and commercial

Note:

Crown Plaza Nanchang Riverside Hotel was held by 力高實業(江西)有限公司 (Redco Industry (Jiangxi) Co., Limited*), a joint venture of the Company as at the date of this report.

* for identification purposes only