OCT 華僑城亚洲

Overseas Chinese Town (Asia) Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03366

ANNUAL REPORT 2017

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. He Haibin *(Chairman)*
Ms. Xie Mei *(Chief Executive Officer)*
Mr. Lin Kaihua

Non-executive Directors

Mr. Zhang Jing

Independent Non-executive Directors

Mr. Lu Gong
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

AUDIT COMMITTEE

Ms. Wong Wai Ling *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Zhang Jing

REMUNERATION COMMITTEE

Ms. Wong Wai Ling *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Zhang Jing

NOMINATION COMMITTEE

Mr. He Haibin *(Chairman)*
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Fong Fuk Wai *(FCPA, FCCA, ACA)*

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 3203-3204, Tower 6,
The Gateway, Harbour City,
Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

REGISTERED OFFICE

Clifton House
PO Box 1350
75 Fort Street
Grand Cayman
Cayman Islands

AUDITOR

KPMG, Certified Public Accountants
8/F Prince's Building, Central, Hong Kong

HONG KONG LEGAL ADVISOR

Loong & Yeung
Room 1603, 16/F, China Building
29 Queen's Road Central, Central, Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Nanyang Commercial Bank
OCBC Wing Hang Bank Limited
Industrial Bank Co., Ltd. Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK INFORMATION

Listing Date: 2 November 2005
Stock Code: 03366
Stock Short Name: OCT (ASIA)

COMPANY WEBSITE

http://www.oct-asia.com

AUTHORISED REPRESENTATIVES

Ms. Xie Mei
Mr. Fong Fuk Wai

Financial Highlights

Summary of Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000	Changes (approximately)
Revenue	**4,904,794**	5,358,174	(8.5)%
Gross profit	**1,667,964**	1,646,129	1.3%
Profit from operations	**2,185,262**	1,061,917	105.8%
Profit before tax	**2,090,040**	1,282,610	63.0%
Profit attributable to equity holders of the Company	**1,106,804**	385,511	187.1%
Dividend payable to owners of the Company during the year			
Proposed final dividend after the end of the reporting period	**277,982**	110,740	151.0%
Basic earnings per share (RMB)	**1.59**	0.57	178.9%

Summary of Consolidated Statement of Financial Position

As at 31 December 2017

	2017 RMB'000	2016 RMB'000	Changes (approximately)
Cash and cash equivalents	**6,927,464**	2,077,758	233.4%
Total assets	**23,745,516**	20,538,331	15.6%
Total assets less current liabilities	**14,529,016**	12,075,489	20.3%
Equity attributable to equity holders of the Company	**9,672,327**	3,026,948	219.5%

CHAIRMAN'S STATEMENT

I am pleased, on behalf of Overseas Chinese Town (Asia) Holdings Limited (the "Company") and its subsidiaries (the "Group"), to present to all shareholders the operating results and annual report of the Group for the year ended 31 December 2017 (the "Period under Review"), and would like to express my sincere gratitude to all shareholders and all the staff.

BUSINESS REVIEW

In 2017, the global economy continued to witness stable recovery with emerging economies generally trended upwards. The PRC government has been focusing on the structural reform of supply side as the main line to facilitate structural enhancement. The national economy has been in a stable and positive development trend, and the overall situation performed better than expected, although we are still facing numerous challenges in improving our quality and efficiency and carrying out our responsibilities in the long run. Despite such complex domestic and international economic conditions, the Group accelerated its pace of innovative development to optimise its industrial structure and push forward strategic transformation and upgrade through a gradual divestiture of its paper packaging business. The Group achieved successful operating results leveraging on its extensive experience and high quality products.

During the Period under Review, the Group recorded a revenue of approximately RMB4.90 billion, representing a year-on-year decrease of approximately 8.5%. Profit attributable to equity holders of the Company amounted to approximately RMB1.11 billion, representing a significant year-on-year increase of approximately 187.1%. The basic earnings per share was approximately RMB1.59, representing a significant year-on-year increase of approximately 178.9%.

The Board of the Company recommends the declaration of a final dividend of HK48.00 cents per ordinary share for the year ended 31 December 2017, representing a significant increase of 200.0% compared with the final dividend of 2016.

Adjusting structure, strengthening main business to achieve stable growth

Comprehensive Development Business

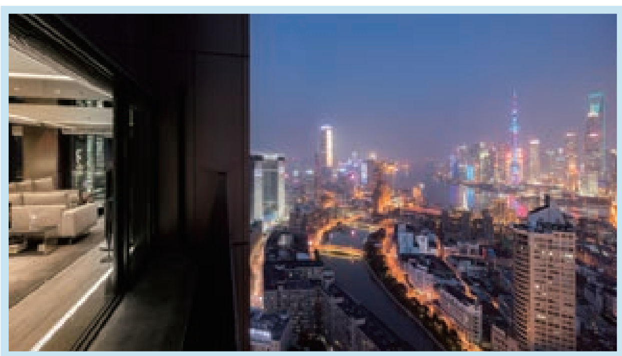
In 2017, the policies for the real estate market in the PRC placed emphasis on directing the major function of housing properties back to providing dwellings, and shifting from adjusting demand to increasing supply which led to improvement in supply side structure. Meanwhile, the closer connection between short-term regulatory policies and long-term mechanisms helped to enhance the multifaceted housing supply function and promote the sound establishment of long-term mechanisms while controlling housing price. The real estate market in the PRC remained divergent in development across the country due to the basic approach of "specific policies for different cities". The Group's comprehensive development business continued to remain stable as it benefited from its brand advantages and faster pace of destocking.

Chairman's Statement

During the Period under Review, the comprehensive development business of the Group recorded a revenue of approximately RMB4.11 billion, representing a year-on-year decrease of approximately 10.6%. Profit attributable to equity holders of the Company amounted to approximately RMB1.11 billion, representing a significant year-on-year increase of approximately 178.1%.

Shanghai Suhewan Project (owned as to 50.5% by the Company)

The Shanghai Suhewan Project, which is developed by Overseas Chinese Town (Shanghai) Land Company Limited ("OCT Shanghai Land"), is favorably situated at the junction of Suzhou River and Huangpu River banks, adjoining the Bund and facing Lujiazui across the river and within the core district of the Inner Ring, Shanghai and possesses highly sought-after landscape resources. The project comprises three parcels of land, namely 1 Jiefang, 41 Jiefang and 42 Jiefang with a total



site area of approximately 71,000 sq.m., a gross floor area (above ground) of approximately 280,000 sq.m. and a total gross floor area of approximately 430,000 sq.m.. The Shanghai Suhewan Project is an integration of humanities and arts, fashion business, high-end residential area and urban entertainment. Products offered by the Shanghai Suhewan Project include waterfront multi-storey residential buildings, luxury residential properties, apartment-style offices, luxury hotels, boutique business premises and studios for artists, etc.

During the Period under Review, the Shanghai Suhewan Project was mainly engaged in the sales of waterfront multi-storey residential properties which are scarce in the market, luxury high-rise residential tower, low-density residential properties and some boutique business premises, which continue to draw much interest from the market. Among which, sales of products that are over RMB100 million ranked top in the Shanghai high-end market, being the absolute benchmark among luxury residential properties in Shanghai. During the Period under Review, the contracted sales area and amount of the Shanghai Suhewan Project were approximately 10,500 sq.m. and approximately RMB2.00 billion respectively, and the settled area and amount were approximately 19,460 sq.m. and approximately RMB2.65 billion respectively.

During the Period under Review, the Shanghai Suhewan Waterfront Independent Mansions and Bulgari Residence won "International Property Awards 2017-2018 – China Best Architecture Single Residence" and "International Property Awards 2017-2018 – Asia Pacific Best Apartment Building", respectively. The Shanghai Suhewan Project received numerous awards, which was a high recognition for the overall project planning and product design, as well as a general acknowledgement to the development capability and product development of our OCT brand.

Chengdu OCT Project (owned as to 51% by the Company)

The Chengdu OCT Project, which is developed by Chengdu Tianfu OCT Industry Development Company Limited ("Chengdu OCT"), is a large comprehensive development project located at both sides of Shaxi Line of Outer Sanhuan Road, Jinniu District, Chengdu City, Sichuan Province. The project comprises a premium residential community, urban entertainment and commercial complex and a Happy Valley theme park, occupying a total site area of approximately 1,827,000 sq.m. and gross floor area of approximately 2,250,000 sq.m..

Chairman's Statement

During the Period under Review, Chengdu OCT recorded a revenue of approximately RMB1.40 billion. Its business mainly covers sales of high-end office properties, high-rise residential properties, multi-storey residential properties and part of the low-density residential properties. During the Period under Review, the contracted sales area and amount of the residential and office properties of Chengdu OCT reached approximately 98,900 sq.m. and approximately RMB944.00 million respectively, while the settled area and amount were approximately 137,300 sq.m. and approximately RMB1,092.00 million respectively. The current rentable area for commercial use is approximately 97,045 sq.m., of which approximately 91% has been leased. Chengdu Happy Valley has attracted approximately 2.08 million visitors and achieved a revenue of approximately RMB245.00 million.

During the Period under Review, Chengdu OCT and its "OCT · Walking Street" (華僑城 • 漫街) were awarded the honor of "Top Ten Outstanding Enterprises of Chengdu Property Market for 2017" from Chengdu Business Daily and "the Most Valuable Enterprise for Investment (in Sichuan) for 2017" from West China City Daily respectively.

OCT Chang'an Metropolis Project (owned as to 100% by the Company)

Located at the core business district of Zhonglou at the centre of Xi'an City, the OCT Chang'an Metropolis Project is a commercial landmark along the Chang'an Road. The project has a total gross floor area of approximately 104,700 sq.m., comprising high-end office properties such as Building 2# and Building 3#, as well as part of the car parking spaces. During the Period under Review, 95% of the units in Building 2# of the OCT Chang'an Metropolis Project was leased with rental rates at the forefront of Xi'an City office buildings. Being scarce in the market, Building 3# is a Grade A office building which is a major project of the Group in 2017 and its marketing activities for leasing are underway. A number of well-known enterprises including Taikang Life Insurance and SKECHERS have become the tenants of Building 3#.

Chairman's Statement

Chongqing OCT Land Project (owned as to 49% by the Company)

The Chongqing OCT Land Project, developed by Chongqing Overseas Chinese Town Land Co., Ltd. ("Chongqing OCT Land"), is located at Lijia Block, New North Zone, Chongqing City. The project enjoys a supreme location with rich landscape resources, overlooking the panorama of Jialing River with a Happy Valley theme park and large greenbelt in the neighborhood. The project has a total site area of approximately 180,000 sq.m and a total gross floor area of approximately 440,000 sq.m.. Its major components comprise mid-to-high end high-rise residential properties and multi-storey residential properties. In respect of the Chongqing OCT Land Project, several rounds of sales of high-rise residential properties were launched and well-received by the market. All units were immediately sold out upon initial release. During the Period under Review, the contracted sales area and amount of the residential and office properties of the Chongqing OCT Land Project reached approximately 165,200 sq.m. and approximately RMB1,835.00 million respectively, which are expected to be booked in 2018 as an income for the first time.

On 29 December 2017, the Company completed the settlement for the disposal of 51% equity interests in Capital Converge Holdings Limited ("Capital Converge") and 51% sale loan of Honour Ray Co., Ltd. ("Honour Ray") (the "Disposal") to New China OCT Fund SPC 1 Segregated Portfolio ("New China Fund SP 1") at a consideration being the USD equivalent of approximately RMB1,395.00 million. Upon completion, the Company will indirectly hold 49% equity interests in Chongqing OCT Land through Capital Converge. The Disposal provides a good opportunity for the Group to realize its assets and achieve considerable returns in advance, which will be beneficial to the financial structure of the Group.

Beijing Unique Garden Project (owned as to 33% by the Company)

The Beijing Unique Garden Project, developed by Beijing Guangying Residential Property Development Limited (北京廣盈房地產開發有限公司), is located at

Laiguangyingxiang in Chaoyang District, Beijing City, with a total site area of approximately 73,000 sq.m. and a total gross floor area of approximately 182,000 sq.m.. The project is a pure residential Project. In 2017, the Beijing Unique Garden Project entered the stage of selling remaining flats. Contracted sales area and amount reached approximately 22,300 sq.m. and approximately RMB236.00 million respectively. The settled area and amount were approximately 11,579 sq.m. and approximately RMB802.63 million respectively. During the Period under Review, the Beijing Unique Garden Project contributed approximately RMB100.40 million in investment return to the Company.

Xi'an OCT Project (owned as to 25% by the Company)

Located at No. 2 of Second Beichitou Road, to the east of Tang Paradise, Qujiang New District, Xi'an City, Shaanxi Province, the Xi'an OCT Project is in proximity to several famous scenic spots and has a total site area of approximately 137,000 sq.m. The project mainly

Chairman's Statement

comprises low-density residential properties. During the Period under Review, contracted sales area and amount reached approximately 6,700 sq.m. and approximately RMB132.00 million respectively. The settled area and amount were approximately 11,700 sq.m. and approximately RMB223.00 million, respectively.

CDCT Development Project (owned as to approximately 33.33% by Chengdu OCT)

Chengdu Culture & Tourism Development Company Limited (成都文化旅遊發展股份有限公司) ("CDCT Development") owns the Xiling Snow Mountain Ski Resort in the national forest park "Xiling Snow Mountain", a national 4A tourist attraction, as well as the high-quality assets including the auxiliary hotels and cableway in Dayi County, Chengdu City, Sichuan Province. Its shares were listed on the National Equities Exchange and Quotation System (also known as the New Third Board). During the Period under Review, CDCT Development contributed approximately RMB5.89 million in investment return to the Company.

Chengdu Baoxin Quansheng Project (owned as to 50% by Chengdu OCT)

The Chengdu Baoxin Quansheng Project, developed by Chengdu Baoxin Quansheng Real Estate Development Company Limited (成都保鑫泉盛房地產開發有限公司), is located at Jinniu District in Chengdu City with a total site area of approximately 58,300 sq.m. and an expected total gross floor area of not more than 174,900 sq.m., and will mainly be used for the development of high rise residential properties, lower-floor shops, commercial duplexes, apartment buildings and underground car parking spaces. During the Period under Review, the

Chairman's Statement

contracted sales area and amount of the Chengdu Baoxin Quansheng Project reached approximately 84,500 sq.m. and approximately RMB1,085 million respectively, which are expected to be booked in 2018 as income for the first time.

Paper Packaging Business

In 2017, the Group facilitated the divestiture of its original paper packaging business with a view to focusing on its core business development. During the Period under Review, to withdraw from the paper packaging business, the Group took various measures such as equity interests transfer, manufacturing equipment transfer and leasing-out its plants depending on the specific conditions of each of the "Huali" group of companies. Currently, the divestiture of the paper packaging business of several manufacturing bases in Shanghai, Anhui and Suzhou has been successfully completed.

During the Period under Review, the price of the raw materials used in paper packaging experienced volatile changes rarely seen in the past, causing turmoil in the paper packaging market. In the meanwhile, the Group needs to transform the paper packaging business and continue the daily production and operation simultaneously. Faced with the challenges stated above, the Group has overcome all difficulties. Through measures including enhancement of internal on-site monitoring, close attention to customer orders and timely adjustment of sales strategies, we coped with market changes proactively to make sure that the daily production and operation and business transformation progressed smoothly at the same time.

During the Period under Review, the paper packaging business of the Group recorded a revenue of approximately RMB795.33 million, representing a year-on-year increase of approximately 4.5%; the loss

Chairman's Statement

attributable to equity holders of the Company was approximately RMB3.81 million, representing a decrease of approximately 72.5% over the same period of 2016.

Active Approach to Transformation and Industrial Investment

In 2017, the Group continued to explore and attempt ways to combine financial innovation with our industrial strength, which has led to investments in a number of projects including Shanghai Libao Huachen Fund and Minsheng Education. We also established fund management companies in PRC and abroad.

During the Period under Review, Shenzhen Huayou Investment Co., Ltd. ("Huayou Investment"), an indirect wholly-owned subsidiary of the Company, entered into the limited partnership agreement with other several partners to establish Shanghai Libao Huachen Investment Centre (LLP) ("Shanghai Libao Huachen Fund") with a total capital of RMB400 million, among which Huayou Investment contributed an amount of RMB30 million. Shanghai Libao Huachen Fund principally invests in big cultural industry, including but not limited to segments of video and media, sports and entertainment, leisure and tourism as well as online education. During the Period under Review, Shanghai Libao Huachen Fund invested in a number of projects including those in the sports and cultural industries.

During the Period under Review, the Group acquired 8.26% equity interests in Minsheng Education Group Company Limited ("Minsheng Education", stock code: 1569.HK) with an investment of HK$463 million. The primary focus of Minsheng Education is to provide high-quality private formal higher education in the PRC dedicated to nurturing professional talents. The Group is optimistic about the education industry in the PRC and its prospects.

During the Period under Review, the Group established an on-shore fund management company. Moving forward, it will strive to change its role into a fund manager and focus on industries that can form strong synergy with OCT's industrial ecosphere. The Group also joined forces with third parties to establish an overseas fund management company which will be principally engaged in private equity investments in sectors such as technology, education, strategic emerging industries and real estate.

Chairman's Statement

During the Period under Review, the Group established OCT Financial Leasing Co., Ltd (華僑城融資租賃有限公司) with an aim to develop the financial leasing business for culture & tourism and paper packaging equipment and facilities.

During the Period under Review, the Capital Fortune Investment New Industries Investment Fund, of which the Group is one of the founding shareholders, invested in a number of projects including those in new-energy automobiles and mobile internet sectors.

OUTLOOK

Looking into 2018, developed economies such as Europe and the United States will stay on growth path and foreign trade will continue to improve. In China, the supply-side structural reform will move on, the growth pace for strategic emerging industries will accelerate and the quality of economic growth will steadily improve. In general, our economic growth is expected to remain stable and solid. In the meantime, the PRC will remain in the initial stage of economic restructuring. Against the backdrop of "steady growth" and "risk prevention", fiscal policies will remain proactive, with an emphasis on structural improvement, and monetary policies will emphasise the combination of "strong supervision + stabilised monetary policy".

In 2018, "permanent mechanisms" in the domestic real estate industry will be introduced at a faster pace. Regional markets will witness divergence in different aspects such as demand, supply and policy, and room for survival for small and medium-sized developers will likely be dwindled further. Consolidation of the industry sector is expected to proceed along, thereby creating more merger and acquisition opportunities for developers with sound financial conditions.

The existing work plans of the comprehensive development projects of the Group for 2018 are as follows: For the Shanghai Suhewan Project, we will continue the sales activities of waterfront multi-storey residential properties and high-rise residential towers that have highly sought-after landscape resources. It will also launch a new apartment project, Bulgari Residence for lease while at the same time roll out the leasing of commercial properties. The much anticipated Bulgari Hotel will commence operation in the first half of 2018. Regarding the Chengdu OCT Project, high-end customised villas in the only eyot of the Chengdu downtown and a new phase of high-rise residential properties will be launched, and sales activities of low-density residential properties and high-end office products will proceed along as well. Total saleable area will reach approximately 115,000 sq.m. in 2018. As to the Chongqing OCT Land Project, a new batch of high-rise and multi-storey residential products with a total saleable area of approximately 127,000 sq.m. will be launched in 2018. The Company will also continue to adhere to advanced development philosophy and clear market orientation and stay on the outlook for diversified investment opportunities. More quality lands will be acquired and the project reserve pool will be expanded through mergers and acquisitions, cooperation and other approaches, with the aim of propelling the growth of the Company's business.

Chairman's Statement

In January 2018, the Group disposed of 85% equity interests in Huali Packaging (Huizhou) Co., Ltd. by way of open tender auction. Currently, the Group has entered into an equity transfer agreement with the successful bidder and is in the course of processing the change of equity procedures. The paper packaging business will no longer be a core business of the Group.

INNOVATIVE DEVELOPMENT CONCEPTS

OCT Group, the controlling shareholder of the Group, has confirmed that it participates in the national new urbanisation construction with the development mode of "culture + tourism + urbanisation", the compensation mode of "tourism + internet + finance", and through its five industries focus, namely "cultural industry sector, tourism industry sector, new urbanisation, financial investment and electronic industry sector".

As OCT Group's only offshore listed platform, the Group's new development mode will be "comprehensive development + investment in the urbanisation industrial ecosphere". The Group will develop the comprehensive development business with added vigor and on a larger scale by fully leveraging OCT's brand equity and financial strength, and by securing projects that offer good cash flows from prime cities and OCT urbanisation projects. The Group will also actively take advantage of the domestic and overseas capital markets and financial products and develop business through domestic and overseas direct investments, indirect investments (industrial funds), financial leasing and others, helping OCT Group to create a new urbanisation industrial ecosphere.

The Board is very confident about the future development prospects of the Group. With the support of OCT Group, the Group will continue to forge ahead with innovative development and endeavor to generate ideal investment returns for shareholders.

He Haibin
Chairman

Hong Kong, 24 March 2018

Management Discussion and Analysis

FINANCIAL REVIEW

As at 31 December 2017, the Group's total assets amounted to approximately RMB23.75 billion, representing an increase of approximately 15.6% over that as at 31 December 2016; the Group's total equity amounted to approximately RMB13.31 billion, representing a significant increase of approximately 96.7% over that as at 31 December 2016, mainly due to the issue of the senior guaranteed perpetual capital securities ("Perpetual Capital Securities") in the amount of US$800.00 million and the significant increase in profit during the Period under Review.

For the year ended 31 December 2017, the Group realised revenue of approximately RMB4.90 billion, representing a decrease of approximately 8.5% over the same period of 2016, of which, revenue of the comprehensive development business was approximately RMB4.11 billion, representing a decrease of approximately 10.6% over the same period of 2016, primarily due to the decrease in revenue from the Shanghai Suhewan Project; and revenue of the paper packaging business was approximately RMB795.33 million, representing an increase of approximately 4.5% over the same period of 2016, primarily due to the rise in selling price of products during the Period under Review. Profit attributable to equity holders of the Company was approximately RMB1.11 billion, representing a significant increase of approximately 187.1% over the same period of 2016, of which, profit attributable to the comprehensive development business was approximately RMB1.11 billion, representing a significant increase of approximately 178.1% over the same period of 2016, mainly due to the recognition of the gain on disposal of Capital Converge, a subsidiary of the Company as an associate during the Period under Review; loss attributable to the paper packaging business was approximately RMB3.81 million, representing a decrease of approximately 72.5% over the same period of 2016, mainly due to the rise in gross profit margin of products during the Period under Review. The basic earnings per share for 2017 was RMB1.59, representing a significant increase of approximately 178.9% over the same period of 2016 (2016: RMB0.57).

During the Period under Review, the Group's gross profit margin was approximately 34.0% (2016: approximately 30.7%), representing an increase of 3.3 percentage points over the same period of 2016, of which, the gross profit margin of the comprehensive development business was approximately 37.7%, representing an increase of 3.7 percentage points over the same period of 2016, mainly due to the decrease in revenue from units with low gross profit margin recognised during the Period under Review; and the gross profit margin of the paper packaging business was approximately 15.1%, representing an increase of 4.4 percentage points over the same period of 2016, mainly due to the rise in selling price of products during the Period under Review. Net profit margin attributable to equity holders of the Company was approximately 22.6% (2016: approximately 7.2%), representing an increase of 15.4 percentage points over the same period of 2016, of which, the net profit margin attributable to the comprehensive development business was approximately 27.0%, representing an increase of 18.3 percentage points over the same period of 2016; and the net profit margin attributable to the paper packaging business was a negative of approximately 0.5%, representing a decrease of 1.3 percentage points over the same period of 2016.

Distribution Costs and Administrative Expenses

Distribution costs of the Group for the year ended 31 December 2017 were approximately RMB261.02 million (2016: approximately RMB285.83 million), representing a decrease of approximately 8.7% over the same period of 2016, of which, distribution costs of the comprehensive development business were approximately RMB215.45 million, representing a decrease of approximately 10.3% over the same period of 2016, which was mainly due to the decrease in sales commissions and advertising expenses as a result of decline in revenue from the comprehensive development business; distribution costs of the paper packaging business were approximately RMB45.57 million, which is substantially the same compared with the same period of 2016.

Management Discussion and Analysis

The Group's administrative expenses for the year ended 31 December 2017 were approximately RMB327.76 million (2016: approximately RMB248.93 million), representing an increase of approximately 31.7% over the same period of 2016, of which, administrative expenses of the comprehensive development business were approximately RMB257.32 million, representing an increase of approximately 20.4% over the same period of 2016, which was mainly due to the increase in labor costs, including the expenses of approximately RMB15.12 million (2016: RMB Nil) arising from the commencement of the operation of OCT Bulgari Hotel held by OCT Shanghai Land during the Period under Review; administrative expenses of the paper packaging business were approximately RMB70.44 million, representing an increase of approximately 100.0% over the same period of 2016, which was mainly due to the increase in the employees' remuneration and benefits expenses.

Interest Expenses

The interest expenses of the Group were approximately RMB190.96 million for the year ended 31 December 2017 (2016: approximately RMB254.78 million), representing a decrease of approximately 25.0% over the same period of 2016, of which, interest expenses of the comprehensive development business were approximately RMB187.94 million, representing a decrease of approximately 25.1% over the same period of 2016, mainly due to the decrease in the amount of the loans related to the comprehensive development business; interest expenses of the paper packaging business were approximately RMB3.02 million, representing a decrease of approximately 20.9% over the same period of 2016, mainly due to the decrease in the amount of the loans related to the paper packaging business.

Dividends

The Board has resolved to recommend the payment of a final dividend of HK48.00 cents per ordinary share for the year ended 31 December 2017 (2016: HK16.00 cents per ordinary share).

The Board has resolved to approve the payment of a preferential dividend of HK20.25 cents per convertible preference share for the year ended 31 December 2017 (2016: HK20.25 cents).

Inventories, Debtors' and Creditors' Turnover

For the year ended 31 December 2017, the Group's inventory turnover days for the paper packaging business were 38 days, representing an increase of 3 days as compared with 35 days for the year ended 31 December 2016, which was mainly due to the increase in inventory. The Group's debtors' turnover days for the paper packaging business were 119 days for the year ended 31 December 2017, representing a decrease of 10 days as compared with 129 days for the year ended 31 December 2016, which was mainly due to the enhancement of credit management for debtors. The Group's creditors' turnover days for the paper packaging business were 44 days for the year ended 31 December 2017, representing a decrease of 6 days as compared with 50 days for the year ended 31 December 2016, which was mainly due to the shortened credit period for enjoying the cash discount offered by the suppliers.

Management Discussion and Analysis

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 December 2017 was approximately RMB13.31 billion (31 December 2016: approximately RMB6.77 billion). As at 31 December 2017, the Group had current assets of approximately RMB15.77 billion (31 December 2016: approximately RMB14.26 billion) and current liabilities of approximately RMB9.22 billion (31 December 2016: approximately RMB8.46 billion). The current ratio was approximately 1.71 as at 31 December 2017, which is substantially the same comparing with that as at 31 December 2016 (31 December 2016: approximately 1.68). The Group generally finances its operations with internally generated cash flow, credit facilities provided by banks and shareholder's loans.

As at 31 December 2017, the Group had outstanding bank and other loans of approximately RMB5.01 billion, without any fixed-rate loans (31 December 2016: outstanding bank and other loans of approximately RMB4.28 billion, without any fixed-rate loans). As at 31 December 2017, the interest rates of bank and other loans of the Group ranged from 1.28% to 6.38% per annum (31 December 2016: ranged from 1.05% to 6.38% per annum). Some of those bank loans were secured by floating charges of certain assets of the Group and corporate guarantees provided by certain subsidiaries of the Company. The Group's gearing ratio (being the total borrowings including bills payable and loans divided by total assets) was approximately 27.0% as at 31 December 2017, representing a decrease of 16.2 percentage points as compared with approximately 43.2% as at 31 December 2016, mainly due to the issue of the Perpetual Capital Securities in the amount of US$800.00 million during the Period under Review, which resulted in the decrease in the amount of loans and the increase in liquidity.

As at 31 December 2017, approximately 81.6% of the total amount of outstanding bank and other loans of the Group amounting to approximately HK$4.89 billion was in Hong Kong Dollars (31 December 2016: approximately 50.6%); approximately 18.4% of which amounting to approximately RMB920.00 million was in Renminbi (31 December 2016: approximately 37.3%); no outstanding bank and other loans were in United States Dollars (31 December 2016: approximately 12.1%). As at 31 December 2017, approximately 54.4% of the total amount of cash and cash equivalents of the Group was in United States Dollars (31 December 2016: approximately 2.4%), approximately 34.4% of which was in Renminbi (31 December 2016: approximately 89.8%) and approximately 11.2% of which was in Hong Kong Dollars (31 December 2016: approximately 7.8%).

The Group's liquidity position remains stable. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars and United States Dollars. For the year ended 31 December 2017, the Group has not experienced any material difficulties in or effects on its operations or liquidity as a result of fluctuations in currency exchange rates. For the year ended 31 December 2017, the Group did not enter into any foreign exchange forward contracts and other material financial instruments for hedging foreign exchange risks purpose.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed approximately 2,188 full-time staff members. The basic remunerations of the employees of the Group are determined with reference to the industry's remuneration benchmark, the employees' experience and their performance, and equal opportunities will be offered to all staff members. Salaries of the employees are maintained at a competitive level and are reviewed annually, with reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits, the Group also provides discretionary bonuses based on the Group's results and the individual performance of the staff.

During the Period under Review, the Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staffs. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for many years.

According to the ordinary resolution passed at the extraordinary general meeting on 15 February 2011, the Board adopted a new share option scheme and simultaneously terminated the share option scheme which was adopted by the Company on 12 October 2005. On 2 March 2016, all share options granted under the new share option scheme have expired. During the year ended 31 December 2017, no share option was exercised.

IMPORTANT EVENTS

Investment in Minsheng Education

On 6 March 2017, City Legend International Limited, a wholly-owned subsidiary of the Company, entered into the cornerstone investment agreement with Minsheng Education Group Company Limited ("Minsheng Education"), to subscribe for 332,000,000 shares of Minsheng Education at the IPO price. The primary focus of Minsheng Education is to provide high-quality private formal higher education in the PRC dedicated to nurturing professional talents with growth potential and prospects. This investment is expected to broaden the sources of profits of the Group. The subscription was completed on 21 March 2017, with a total effective subscription price of approximately HK$463 million. Subsequent to appointment of a representative on the Board of Directors in Minsheng Education, the Group can exercise significant influence on Minsheng Education. For further details, please refer to the announcement of the Company dated 6 March 2017.

Investment in Shanghai Libao Huachen Fund

On 17 March 2017, Huayou Investment entered into the limited partnership agreement with Shanghai Rongzheng Libao Investment Management Co., Ltd., Shanghai Rongzheng Investment Advisory Co., Ltd., and other several partners to establish Shanghai Libao Huachen Fund with an aggregate capital of RMB400 million, among which Huayou Investment contributed RMB30 million. Shanghai Libao Huachen Fund principally invests in big culture industry, including but not limited to segments of video and media, sports and entertainment, leisure and tourism as well as online education segment, and segments of upgrading and reconstruction of such industries through internet and mobile internet. For further details, please refer to the announcement of the Company dated 17 March 2017.

Management Discussion and Analysis

Disposal of 100% Equity Interests in Shanghai Huali

In September 2017, Barwin Development Company Limited ("Barwin Development"), a wholly-owned subsidiary of the Company and the sole shareholder of Shanghai Huali Packaging Co., Ltd. ("Shanghai Huali") entered into the equity transfer agreement with Shanghai Huiyang Industry Co., Ltd. ("Huiyang Industry"), the winning bidder in the public tender conducted by the Shanghai United Assets and Equity Exchange. Pursuant to the equity transfer agreement, Barwin Development disposed 100% equity interests in Shanghai Huali to Huiyang Industry at a consideration of RMB164,673,100. The disposal was completed on 30 September 2017. The disposal of Shanghai Huali was carried out in line with the Company's transformation strategy of its paper packaging business. For further details, please refer to the announcements of the Company dated 7 July 2017, 4 August 2017 and 20 September 2017.

Issue of Perpetual Capital Securities in the Amount of US$800.00 million

In October 2017, the Company successfully issued the Perpetual Capital Securities in an aggregate principal amount of US$800.00 million, which is unconditionally guaranteed by OCT Group. The securities are listed on the Hong Kong Stock Exchange at an initial distribution rate of 4.3%. It represents the most narrowed margin from the guidance price of Perpetual Capital Securities issued in the Hong Kong capital market in 2017, which will serve as a strong capital support for the future development of the Company. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. For further details, please refer to the announcements of the Company dated 28 September 2017, 29 September 2017 and 11 October 2017.

Disposal of 51% Equity Interests in Capital Converge

In November 2017, the Company entered into the Sale and Purchase Agreement and the Supplemental Agreement with New China OCT Fund SPC ("New China Fund") (on behalf of New China Fund SP 1), pursuant to which the Company disposed 51% equity interests in Capital Converge and 51% sale loan of Honour Ray to New China Fund at a consideration in the sum equals to the USD equivalent of RMB1,395 million. The closing of the transaction has taken place on 29 December 2017. Upon completion of the transaction, the Company indirectly held 49% equity interests in Chongqing OCT Land through Capital Converge. The transaction provides a good opportunity for the Group to realise its assets in advance and achieve considerable returns, which will be beneficial to optimising the financial structure of the Group. For further details, please refer to the announcements of the Company dated 13 November 2017, 15 November 2017, 21 December 2017 and 29 December 2017, and the circular of the Company dated 6 December 2017.

Directors and Senior Management

Directors

Executive Directors

Mr. He Haibin, aged 43, being the chairman of the Board and a Senior Accountant* (高級會計師) of the Company, joined the Group in 2017. He also serves as the chairman of Overseas Chinese Town (HK) Company Limited ("OCT (HK)") (the beneficial owner of all the issued share capital in Pacific Climax Limited, which is the controlling shareholder of the Company) and as the chief accountant and secretary for the board of OCT Group (the controlling shareholder of Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司) ("OCT Ltd.") (the beneficial owner of all the issued share capital in OCT (HK) and listed on the Shenzhen Stock Exchange)). Mr. He currently also serves as a non-executive director of China Everbright Bank Co., Ltd., which is listed on the Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), a director of each of Konka Group Company Limited (康佳集團股份有限公司) ("Konka Group") (a non wholly-owned subsidiary of OCT Group and listed on the Shenzhen Stock Exchange), Yunnan World Expo Tourism Holding Group Company Limited* (雲南世博旅遊控股集團有限公司) (an indirect non wholly-owned subsidiary of OCT Group), Yunnan Cultural Industry Investment Holding Group Company Limited (雲南文化產業投資控股集團有限責任公司), Huaneng Capital Services Corporation Ltd. (華能資本服務有限公司) and Shenzhen Guangming Group Co., Ltd. (深圳市光明集團有限公司). Mr. He currently also serves as the chairman of Shenzhen OCT Capital Investment Management Company Limited* (深圳華僑城資本投資管理有限公司) (a wholly-owned subsidiary of OCT Group). Mr. He joined OCT Group in 1996. Mr. He had acted as the non-executive Director of the Company from 2010 to 2013. Mr. He had also acted as the vice chief financial officer of OCT Group; the chief financial officer of each of OCT (HK), Shenzhen OCT Seaview Hotel Limited* (深圳華僑城海景酒店有限公司) (a subsidiary of OCT Ltd.), and Shenzhen OCT Grand Hotel Company Limited* (深圳華僑城大酒店有限公司). Save as aforesaid, Mr. He has also held and had also held senior positions in the other subsidiaries of OCT Group. Mr. He graduated from Sun Yat-Sen University (中山大學) in 1996 with a bachelor's degree in auditing. He also obtained a master's degree in management from Chinese Academy of Fiscal Sciences (中國財政部財政科學研究所) in 2002. Mr. He currently also serves as the chairman of the Nomination Committee (the "Nomination Committee") of the Company.

Ms. Xie Mei, aged 50, being the executive Director and chief executive officer of the Company, joined the Group in 2004. Ms. Xie is also the president assistant of OCT Ltd. and the chairman of Xi'an OCT Land Co., Ltd. (西安華僑城置地有限公司) ("Xi'an OCT Land") (a wholly-owned subsidiaries of the Company) and a director of all the subsidiaries of the Company. Ms. Xie is also the general manager of OCT (HK) and a director of Pacific Climax. She is also a director of Xi'an OCT Investment Ltd. (西安華僑城實業有限公司) ("OCT Xi'an Industry") and Yunnan OCT Industrial Co., Ltd. (雲南華僑城實業有限公司), both being subsidiaries of OCT Ltd. Ms. Xie has rich management experience. Ms. Xie joined OCT Group in 1994 and she had been a deputy director and director of the strategic development department of OCT Group. Ms. Xie graduated from the Department of Electrical Engineering of Xi'an Jiaotong University and obtained a bachelor's degree in Engineering in 1989. She also obtained a master's degree in Economics from the Renmin University of China in 1999.

Directors and Senior Management

Mr. Lin Kaihua, aged 51, is the executive Director and vice president of the Company and also holds the director position in many subsidiaries of the Company, as well as in Beijing Guangying Real Estate Development Co., Ltd (北京廣盈房地產開發有限公司). He is also the deputy general manager of OCT (HK) and a non-executive director of Minsheng Education Group Company Limited, which is listed on the Main Board of the Stock Exchange. Mr. Lin has extensive experience in business operation and financial management. Since he joined OCT Group in 1992, Mr. Lin had held a number of positions including but not limited to the deputy general manager and the chief financial officer of OCT Shanghai Land (an indirect non wholly-owned subsidiary of the Company), the deputy general manager of Shenzhen Overseas Chinese Town Entertainment Investment Company Limited (深圳華僑城都市娛樂投資公司) (a wholly-owned subsidiary of OCT Ltd.), chief financial officer of Shenzhen Overseas Chinese Town Holding Company Limited (深圳華僑城控股股份有限公司) (currently known as OCT Ltd.) and the chief financial officer of Shenzhen Bay Hotel (深圳灣大酒店) (currently known as "InterContinental Shenzhen (華僑城大酒店)" a subsidiary of OCT Ltd.). Mr. Lin holds a bachelor's degree and a master's degree in Accounting, and has obtained Certified Public Accountant and Senior Accountant title.

Non-executive Directors

Mr. Zhang Jing, aged 35, was appointed as a non-executive Director of the Company on 30 March 2017. Mr. Zhang is an Economist* (經濟師) and currently serves as the director of the strategic development department of OCT Ltd., a director of Konka Group and the chairman of OCT Wangfujing Business Management Co., Ltd. (華僑城王府井商業管理有限公司). Mr. Zhang joined OCT Group since 2004, and had worked in Shenzhen Overseas Chinese Town Real Estate Company Limited (深圳華僑城房地產有限公司) ("OCT Real Estate"), OCT Group and OCT Ltd. consecutively and acted as vice director of the strategic development of OCT Ltd., and the director of the administration department of OCT Real Estate. Mr. Zhang graduated from Xian Jiaotong University (西安交通大學) in 2004 with bachelor's degrees in engineering management and journalism. He also obtained a master's degree in business administration from Shanghai Jiaotong University (上海交通大學) in 2011. Mr. Zhang is a member of the audit committee ("Audit Committee") and the remuneration committee ("Remuneration Committee") of the Company.

Independent Non-executive Directors

Mr. Lu Gong, aged 59, joined the Group in 2013. Mr. Lu is the managing director of Granton Asia Limited, whose principal businesses are investment and holding equities of overseas hotels and apartments. Mr. Lu is also the senior advisor of China Development Bank International Investment Limited (國開國際投資有限公司) (formerly known as New Capital International Investment Limited), whose shares are listed on the Main Board of the Stock Exchange (stock code: 01062). Mr. Lu was appointed as but has already ceased to be an independent non-executive director of China Development Bank International Investment Limited (國開國際投資有限公司) and as the senior advisor of Galaxy Entertainment Management Services Limited (銀河娛樂企業管理有限公司) and the executive director and the vice-chairman of New City Development Group Limited (formerly known as New Rank City Development Limited), whose shares are listed on the Main Board of the Stock Exchange (stock code: 00456). Mr. Lu had also worked for Unisys China Limited and Shell China Hong Kong Co., Limited and held senior management positions at Hong Kong Telecommunications Limited and Granton Asia Limited. Mr. Lu has extensive experience in general management.

Directors and Senior Management

Ms. Wong Wai Ling, aged 56, joined the Group in 2007. Ms. Wong holds a bachelor's degree of arts from the University of Hong Kong and a post-graduate diploma in accounting and finance from the London School of Economics and Political Science. Ms. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and has more than 20 years of extensive experience in accounting, tax, auditing and business. Ms. Wong had worked in various international and local audit firms for more than seven years until she began to be in private practice as a Certified Public Accountant since 1993. Ms. Wong is also an independent non-executive director and chairman of the audit committee of companies in addition to the Company listed on the Main Board of the Stock Exchange (China Ruifeng Renewable Energy Holdings Limited (stock code: 00527) and AVIC International Holdings Limited (stock code: 00161). Ms. Wong is also an independent non-executive director and chairman of the audit committee and remuneration committee of Yongsheng Advanced Materials Company Limited (stock code: 03608). Meanwhile, Ms. Wong is also a non-executive director of Hin Sang Group (International) Holdings Co., Ltd (衍生集團(國際)控股有限公司) (a company listed on the Main Board of the Stock Exchange, stock code: 06893). Ms. Wong was also appointed as but has already ceased to be an independent non-executive director of Glory Flame Holdings Limited (a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange, stock code: 08059) and an executive director of JC Group Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 08326). Ms. Wong is the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company.

Professor Lam Sing Kwong Simon, aged 59, joined the Group in 2009. Professor Lam is a professor of Management in the Faculty of Business and Economics, the University of Hong Kong. Professor Lam is well known for his studies and research in corporate strategy, organization development and operations management. He has published a number of academic papers and case analysis on the said topics. Before joining the University of Hong Kong, Professor Lam had worked as a management consultant and as a regional manager for a bank. He has gained extensive experience in the area of corporate governance, strategy development and corporate finance. Professor Lam is also the independent non-executive director of Kwan On Holdings Limited (listed on the Main Board of the Stock Exchange, stock code: 01559), and Sinomax Group Limited (listed on the Main Board of the Stock Exchange, stock code: 01418). Professor Lam is also the non-executive director of Jacobson Pharma Corporation Limited (listed on the Main Board of the Stock Exchange, stock code: 02633). Professor Lam is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Directors and Senior Management

Senior Management

Mr. Zhang Xiaojun, aged 47, is the vice president of the Company. Mr. Zhang is a director of various subsidiaries of the Company. Mr. Zhang joined the Group in 1993. Mr. Zhang supervised the daily operation of Shenzhen Huali Packing & Trading Co., Ltd. (深圳華力包裝貿易有限公司) ("Shenzhen Huali") from 2003 to 2007. Mr. Zhang graduated from Zhuzhou Institute of Technology of Hunan (now known as Hunan University of Technology) majoring in printing technology, where he obtained his bachelor's degree in engineering.

Mr. Fong Fuk Wai, aged 54, is the chief financial officer, company secretary and qualified accountant of the Company. He also serves as a director of Huali Holdings Company Limited, a wholly-owned subsidiary of the Company. He joined the Group in January 2005. Mr. Fong graduated from the Hong Kong Polytechnic University and obtained his bachelor's degree in Accountancy in 1994, and obtained a master's degree in business administration at the Chinese University of Hong Kong in 1999. Prior to joining the Group, Mr. Fong worked with an international CPA firm and members of companies listed in Hong Kong. He had held the positions of senior accountant, manager and financial controller. He has many years of experience in auditing, accounting and finance. Mr. Fong is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Ms. Qi Jianrong , aged 46, is the vice president of the Company, an accountant and economist. Ms. Qi joined OCT Group in 1994, and had served in the finance department of OCT Shenzhen Bay Hotel, The Venice Hotel Shenzhen and Seaview O.City Hotel Shenzhen. She had been the supervisor of the finance department of OCT (HK) and the financial officer of Shenzhen City Rough Diamond Trading Centre Company Limited. Ms. Qi graduated from the Department of International Finance from Jinan University in 1994, where she obtained her bachelor's degree in economics.

Directors and Senior Management

Mr. Zhang Dafan, aged 51, is the director and general manager of Chengdu OCT. Mr. Zhang is also the vice president and a general manager of western division of OCT Ltd. as well as a director of Chengdu Culture & Tourism Development Company Limited (成都文化旅遊發展股份有限公司). Mr. Zhang joined Chengdu OCT since its establishment in October 2005. Mr. Zhang successively served as the deputy general manager of import and export department of OCT Group, a director of Shenzhen Bay Hotel (深圳灣大酒店) (now known as InterContinental Shenzhen) and a deputy general manager of OCT (HK). Mr. Zhang graduated from the management engineering department of Nanjing University of Aeronautics and Astronautics and obtained a master's degree in economics from Renmin University of China.

Mr. Yuan Jingping, aged 53, is the director and general manager of OCT Shanghai Land. Mr. Yuan is also the vice president and a general manager of east China division of OCT Ltd. as well as the chairman of Nanjing Overseas Chinese Town Land Co., Ltd. (南京華僑城置地有限公司) (a subsidiary of OCT Ltd.). Mr. Yuan has an extensive experience in real estate and construction industries. Since joining OCT Group in 1999, Mr. Yuan has been the general manager of Shenzhen CMOCT Investment Limited (深圳招商華僑城投資有限公司) (a subsidiary of OCT Ltd.) and Shanghai Highpower OCT. Before joining OCT Group, Mr. Yuan served as a principal architect in an architectural design institute. In 1989, Mr. Yuan obtained his master's degree of architecture from Southeast University.

Mr. Qin Jun, aged 55, is a director and general manager of Xi'an OCT Land. Mr. Qin Jun joined the Group in 2015 and is also the director and general manager of Xi'an OCT and a deputy general manager of western division of OCT Ltd. Mr. Qin has served as the deputy general manager of the Beijing Century Overseas Chinese Town Industrial Co. Ltd. (北京世紀華僑城實業有限公司), the general manager of the Real Estate Department of Beijing Century Overseas Chinese Town Industrial Co. Ltd. (北京世紀華僑城實業有限公司地產事業部), etc.. He has also held positions in Shenzhen OCT Real Estate Corporation (深圳華僑城房地產公司), Shenzhen OCT Construction & Supervision Co., Ltd. (深圳市僑建工程監理有限公司), etc.. Prior to joining the OCT Group, he served as an engineer at The Tenth Institute of Project Planning and Research of Ministry of Machinery Industry (中國機械工業部第十設計研究院). Mr. Qin graduated from Hunan University, majoring in water supply and drainage engineering.

Corporate Governance Report

The Company believes that a high standard of corporate governance and a highly efficient management team are very important in enhancing the investors' confidence and the return to the shareholders of the Company, as well as increasing long-term share value. Therefore, the Company is committed to implementing and maintaining a high standard of corporate governance, emphasising good communication with shareholders of the Company and investors, and nurturing a corporate culture of strict code of conduct, with a view to continuously improving the Company's transparency in management. This includes timely, comprehensive and accurate disclosure of information about the Company to safeguard the shareholders' interest and to enhance long term share value.

During the year ended 31 December 2017, the Company has complied with all the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, save for code provision A.6.7 of the Code, details of which are set out in the paragraph headed "The Attendance of Directors and Committee Members" in this section. Details of the Company's corporate governance are summarized as below.

Board of Directors

Board Responsibilities and Delegation

The Board manages the Company's affairs and is responsible for the leadership and governance of the Company. The Board is ultimately responsible for the Company's business, financial performance and preparation of financial statements. The Board formulates the strategy, policy and business plan of the Group, controls corporate risks and monitors the operation and financial performance of the Company. The Board endeavors to make decisions in line with the interest of the shareholders and the Company as a whole, and delegates powers and responsibilities to the management led by the Chief Executive Officer of the Company to carry out the daily management and operation of the Group. All Board members have separate and independent access to the senior management, and are provided with full and timely information about the operation and business development of the Company, including monthly reports. In order to assist the Directors to carry out their duties, the Board has established procedures to enable the Directors to seek independent professional advice upon reasonable request under appropriate circumstances at the Company's expense.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the Code. As of the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of Directors and senior management, (c) the Company's policies and practices in compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the disclosure requirements set out in the Code.

Composition of the Board

The Board currently comprises seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. The number of independent non-executive Directors is more than one-third of the number of the members of the Board. Independent non-executive Directors are experienced professionals with profound expertise and experience in legal, accounting, financial or economic management aspects. The Board considers that all independent non-executive Directors are independent in their judgment. They ensure that the Board has attained the strict standards in financial and other statutory reporting areas and they provide sufficient check and balance to safeguard the interests of the shareholders and the Company as a whole.

Corporate Governance Report

As at the date of this report, the Directors are as follows:

Executive Directors

Mr. He Haibin *(Chairman of the Board, appointed on 4 May 2017)*
Ms. Xie Mei *(Chief Executive Officer)*
Mr. Lin Kaihua

Mr. He Haibin was appointed as an executive Director of the Company on 4 May 2017 and re-elected as an executive Director of the Company at the annual general meeting of the Company held on 2 June 2017. He entered into a service agreement with the Company for a term of three years commencing from 2 June 2017 until the conclusion of the 2019 annual general meeting to be held in 2020.

Ms. Xie Mei has been re-elected as an executive Director of the Company at the annual general meeting of the Company held on 2 June 2017, and has entered into a service contract with the Company for a term of three years commencing from 2 June 2017 until the conclusion of the 2019 annual general meeting of the Company to be held in 2020.

Mr. Lin Kaihua has been re-elected as an executive Director of the Company at the annual general meeting of the Company held on 12 May 2015, and has entered into a service contract with the Company for a term of three years commencing from 12 May 2015 until the conclusion of the 2017 annual general meeting of the Company to be held in 2018.

Non-executive Director

Mr. Zhang Jing

Mr. Zhang Jing was appointed as a non-executive Director of the Company on 30 March 2017 and re-elected as a non-executive Director of the Company at the annual general meeting of the Company held on 2 June 2017. He entered into a service agreement with the Company for a term of three years commencing from 2 June 2017 until the conclusion of the 2019 annual general meeting to be held in 2020.

Independent Non-executive Directors

Mr. Lu Gong
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

Mr. Lu Gong has been re-elected as an independent non-executive Director of the Company at the annual general meeting of the Company held on 11 May 2016, and has entered into a service contract with the Company for a term of three years commencing from 11 May 2016 until the conclusion of the 2018 annual general meeting of the Company to be held in 2019.

Corporate Governance Report

Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon have been re-elected as independent non-executive Directors at the annual general meeting of the Company held on 12 May 2015 and have entered into service contracts with the Company for a term of three years commencing from 12 May 2015 until the conclusion of the 2017 annual general meeting of the Company to be held in 2018. Under code provision A.4.3 of the CG Code, if an independent non-executive Director serves more than 9 years, his/her further appointment shall be subject to a separate resolution to be approved by the shareholders. Although each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon will have served as an independent non-executive Director for more than nine years by 2018, the Board considers that each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon is a person of integrity and independent in judgement and character. They are independent of the management and free from any business or other relationships or circumstances which could materially interfere with the exercise of their independent judgement. The Board considers that each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon meets the independent guidelines set out in Rule 3.13 of the Listing Rules, and is of the view that their independence is not affected by their extended term of office with the Company. Hence, the Board considers each of Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon as independent and should be re-elected at the 2017 annual general meeting to be held in 2018.

The biographies of each Director are set out on page 19 to 23 of this report.

The Company has complied with Rules 3.10(1) and 3.10(A) of the Listing Rules. During the year ended 31 December 2017, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents at least one-third of the Board. The Company has also complied with Rule 3.10(2) of the Listing Rules, which stipulates that one of the independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial management expertise. The Board considers that the independent non-executive Directors are all independent persons with appropriate qualifications or expertise and the Company has also complied with the relevant requirements of the Listing Rules.

The Company has established a Nomination Committee. The Nomination Committee will evaluate the independence of all independent non-executive Directors each year and make sure that they comply with the independence requirement under Rule 3.13 of the Listing Rules. All members of the Board are not related to one another in all aspects, including finance, family and business.

Chairman and Chief Executive Officer

The Company has a separate Chairman and Chief Executive Officer. The two positions are assumed by different persons in order to ensure that their independence, accountability and power are clear. Mr. He Haibin, the Chairman, is responsible for the operation of the Board and the formulation of the Company's strategies and policies. Ms. Xie Mei, the Chief Executive Officer, with the assistance of other members of the Board and the senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation.

Appointment and Re-Election of Directors

The Nomination Committee identifies appropriate individuals qualified to become Board members and provides advice to the Board in respect of nominating such persons to the Board. The Nomination Committee also makes recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer. The Board is responsible for formulating the procedures for appointing Directors, and nominating suitable candidates for approval at the annual general meetings so as to fill vacancies due to resignation of Directors or to appoint additional Directors.

When selecting candidates for appointment as Directors, the Board will consider the candidates' integrity, achievements and experience in the relevant industry, expertise, educational background and whether they have sufficient time to assume the post of Directors of the Company.

Pursuant to the articles of association of the Company, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Corporate Governance Report

Number of Board Meetings Held and Procedures

The Board convened 13 meetings for the year ended 31 December 2017.

The Board has established meeting procedures and has complied with the code provisions of the Code. The procedures of Board meetings provide that the Board shall meet at least four times each year and can convene additional meetings when necessary. The agenda and other reference documents shall be distributed prior to the Board meeting to allow sufficient time for the Directors to review. Directors can express different opinions at Board meetings. Important decisions will be made only after detailed discussions by the Board. Directors who have conflicts of interest or material interests in the relevant transactions will not be counted in the quorum of the meeting and shall abstain from voting on the relevant resolutions. Minutes of Board meetings and other committee meetings will be drafted by the Company Secretary and will be sent to all members for their comment or record. Directors are entitled to inspect the minutes at any time.

The Attendance of Directors and Committee Members

The Directors' attendances of the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and general meetings of the Company for the year ended 31 December 2017 are as follows:

	Number of meetings attended/Number of meetings				
Name of Directors	**The Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Yao Jun	2/13 *(Note 1)*	N/A	N/A	2/2	N/A *(Note 1)*
He Haibin	10/13 *(Note 2)*	N/A	N/A	N/A *(Note 2)*	1/2 *(Note 5)*
Xie Mei	13/13	N/A	N/A	N/A	1/2 *(Note 5)*
Lin Kaihua	13/13	N/A	N/A	N/A	1/2 *(Note 5)*
Zhou Ping	1/13 *(Note 3)*	1/3 *(Note 3)*	1/2 *(Note 3)*	N/A	N/A *(Note 3)*
Zhang Jing	11/13 *(Note 4)*	2/3 *(Note 4)*	1/2 *(Note 4)*	N/A	0/2 *(Note 5)*
Lu Gong	13/13	N/A	N/A	N/A	0/2 *(Note 5)*
Wong Wai Ling	13/13	3/3	2/2	2/2	2/2
Lam Sing Kwong Simon	13/13	3/3	2/2	2/2	0/2 *(Note 5)*

Notes:

1. Mr. Yao Jun resigned as an executive Director of the Company on 4 May 2017. Mr. Yao attended all the Board meetings held during his term of office for the year ended 31 December 2017. No general meeting was held during the period.

2. Mr. He Haibin was appointed as an executive Director on 4 May 2017. Mr. He attended all the Board meetings held during his term of office for the year ended 31 December 2017. No meeting of the Nomination Committee was held during the period.

3. Mr. Zhou Ping resigned as a non-executive Director on 30 March 2017. Mr. Zhou attended all the Board meetings, meetings of the Audit Committee and meetings of the Remuneration Committee held during his term of office for the year ended 31 December 2017. No general meeting was held during the period.

4. Mr. Zhang Jing was appointed as a non-executive Director on 30 March 2017. Mr. Zhang attended all the Board meetings, meetings of the Audit Committee and meetings of the Remuneration Committee held during his term of office for the year ended 31 December 2017.

5. Code provision A.6.7 of the Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive Directors were not able to attend the general meetings held in 2017 due to their unavoidable business engagements. Other Board members who attended the general meetings were already of sufficient calibre and number for answering questions raised by the shareholders at the general meetings.

Corporate Governance Report

Directors' Continuous Professional Development Programme

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year ended 31 December 2017, Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance with and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2017, the Company also organised briefing sessions conducted by the Hong Kong legal advisers of the Company for the Directors. The briefing sessions covered topics including but not limited to director's responsibilities, inside information and the latest development and guide regarding the Listing Rules.

According to the records provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2017 are as follows:

Name of Directors	Reading seminar materials relating to the latest development regarding the Listing Rules and other applicable regulatory requirements	Attending Briefing Sessions
Executive Directors		
Yao Jun *(Note 1)*	✓	✓
He Haibin *(Note 1)*	✓	✓
Xie Mei	✓	✓
Lin Kaihua	✓	✓
Non-executive Directors		
Zhou Ping *(Note 2)*	✓	✓
Zhang Jing *(Note 2)*	✓	✓
Independent Non-executive Directors		
Lu Gong	✓	✓
Wong Wai Ling	✓	✓
Lam Sing Kwong Simon	✓	✓

Notes:

1. Mr. Yao Jun resigned as an executive Director on 4 May 2017, and Mr. He Haibin was appointed as an executive Director on 4 May 2017.

2. Mr. Zhou Ping resigned as a non-executive Director on 30 March 2017, and Mr. Zhang Jing was appointed as a non-executive Director on 30 March 2017.

Corporate Governance Report

Special Committees under the Board

The Board comprises the following committees:

Audit Committee

As of 31 December 2017, the Audit Committee consists of three members, including two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, and one non-executive Director, namely Mr. Zhang Jing, with Ms. Wong Wai Ling being the chairman of the Audit Committee.

The principal terms of reference of the Audit Committee are as follows:

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment or removal of the external auditors, and the approval of remuneration and terms of engagement of the external auditors;

(b) reviewing risk management and internal control systems and monitoring the work of the internal audit department;

(c) reviewing the financial statements of the Company, the Company's annual reports and accounts, interim reports and quarterly reports (if any);

(d) examining financial statements and reporting to the Board for any significant opinions in relation to financial reporting;

(e) conferring with auditors on any problems and matters of doubt arising from the audit process, as well as other issues the auditors may like to discuss (if necessary, such discussions may be undertaken in the absence of the management); and

(f) reviewing correspondences addressed to the management by the external auditors and responses from the management.

The Audit Committee held three meetings during the year ended 31 December 2017, and performed the major works as below:

1. reviewed the annual financial results and report for the year ended 31 December 2016 and the interim financial results and report for the six months ended 30 June 2017;

2. reviewed the internal audit department's report regarding the review and procedures of the internal control and risk management of the Company; and

3. provided opinions to the Board in respect of the appointment of auditors.

The Audit Committee has reviewed this annual report, and confirmed that it is complete and accurate and complies with the Listing Rules.

Corporate Governance Report

Remuneration Committee

As of 31 December 2017, the Remuneration Committee consists of three members, including two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, and one non-executive Director, namely Mr. Zhang Jing, with Ms. Wong Wai Ling being the chairman of the Remuneration Committee.

The main role and function of the Remuneration Committee are as follows:

(a) consulting the chairman of the Board on remuneration recommendations concerning other executive Directors;

(b) making recommendations to the Board on matters relating to the overall remuneration policy and structure for the Directors and senior management of the Company, as well as establishing a formal and transparent remuneration policy of the Company;

(c) with authority delegated by the Board, establishing compensation packages for all executive Directors and senior management and making recommendations to the Board on remuneration for non-executive Directors; and

(d) reviewing and approving compensations paid to executive Directors and senior management, for loss or termination of their office or appointment, in order to ensure that the compensations are paid in accordance with relevant contractual terms.

The Remuneration Committee held two meetings during the year ended 31 December 2017, and performed the major works as below:

1. reviewed and discussed the remuneration policy and structure of the Company and the remuneration and performance of duties of the executive Directors, senior management and other staff of the Company; and

2. reviewed and discussed the remuneration of the newly appointed Directors and make recommendations to the Board.

Nomination Committee

As of 31 December 2017, the Nomination Committee consists of three members, including one executive Director, namely Mr. He Haibin and two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, with Mr. He Haibin being the chairman of the Nomination Committee.

The Board has adopted its board diversity policy (the "Board Diversity Policy"). All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Corporate Governance Report

The main role and function of the Nomination Committee are as follows:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) reviewing the Board Diversity Policy of the Company and the implementation progress of targets set by such policy;

(c) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(d) assessing the independence of independent non-executive Directors; and

(e) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

The Nomination Committee held two meetings during the year ended 31 December 2017 and performed the major works as below:

1. examined the structure, size and composition of the Board, to ensure the Directors have the expertise, skills and experience required to meet the Company's business;

2. reviewed the Board Diversity Policy of the Company and the implementation progress of targets set by such policy;

3. assessed the independence of all independent non-executive Directors of the Company; and

4. reviewed and discussed the nominations of Mr. He Haibin as an executive Director and Mr. Zhang Jing as a non-executive Director, and make recommendations to the Board with regards to the nominations.

Risk Management and Internal Control

The Group pays high attention to risk management. We believe that comprehensive and effective risk management and internal control systems play an important role in achieving the Group's strategic goals. The challenge faced by the Group is in identifying and managing risks so that they are managed, mitigated, transferred, prevented or understood and accepted. The Group has established a robust framework of ongoing risk management process in identifying, evaluating and managing significant risks faced by the Group to promote the long-term success of the Group. The internal control system is implemented to minimise the risk to which the Group is exposed to and is used as a management tool for its day-to-day business operations.

Corporate Governance Report

The Board acknowledges its ultimate responsibility to establish and maintain appropriate risk management and internal control systems for the business of the Group. Also, the Board is responsible for reviewing the effectiveness of the Group's risk management and internal control systems. The Board fully recognises that good risk management and internal control systems are designed to manage rather than eliminate the risks, and the systems and processes that have been put in place do not provide an absolute shield against factors including unpredictable risks or uncontrollable events such as natural catastrophes or errors of judgment. Accordingly, they can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Group has not encountered any risk incident in the capital market since its listing. There has been no significant error or weakness in respect of internal control, nor such condition or consequence which may have a material impact on the truthfulness, accuracy and fairness on the financial matters of the Group.

The Company has an internal audit department which is independent of other operating departments. The internal audit department has the authority to conduct comprehensive inspection on the information of the Group's risk management network and the control and governance processes in order to monitor the effectiveness of the risk management and internal control of the Group. The internal audit department conducts an overall review on every subsidiary once a year, and reports and makes recommendations to the management of the Company in respect of the review. In addition, the internal audit department also regularly reviews all the businesses and matters relating to work approach, procedures, expenses and internal control measures of the Company's subsidiaries. The department will also conduct ad hoc reviews and investigations when necessary. The internal audit department reports directly to the Audit Committee.

The internal audit department of the Company submits the comprehensive risk management report and internal audit report to the Audit Committee under the Board on an annual basis. The comprehensive risk management report is made once a year, which comprehensively describes the integrity and effectiveness of the internal control system of the Group, the results of internal and external risk assessment on the Group's strategy, finance, regulation and compliance, marketing and operation, and activates the supervision and improvement mechanisms for principal risk management strategies and solutions based on and with respect to the significant risks which are determined to have a material impact on the Group. The existing control measures may not only identify and address such principal risks, but also contribute to improving the skills, interests and costs required, thus helping the Board to assess the actual control status and effectiveness of risk management of the Group.

Three Lines of Defence

The Group strives to establish lines of defence for decision-making and monitoring of comprehensive risk management, for implementation of comprehensive risk management measures, and for assessment of comprehensive risk management with respect to its existing businesses.

Corporate Governance Report

The framework of the Group's risk management and internal control systems is guided by the "Three Lines of Defence" model:

First Line of Defence: Defence line for decision-making and monitoring of comprehensive risk management

As the first line of defence for the Company's comprehensive risk management organisational system, the line of defence for decision-making and monitoring of comprehensive risk management comprises of the Board, the management and department heads of the Company. As the decision-making and monitoring authorities of comprehensive risk management, the Board, the management and department heads of the Company are mainly responsible for (among others) approving the organisational structure and functions of risk management of the Company; approving the risk management policies, risk management measures and significant risk solutions of the Company; and monitoring and supervising the comprehensive risk management system as well as the establishment and implementation of internal control assessment mechanisms.

Second Line of Defence: Defence line for implementation of comprehensive risk management measures

All functional departments and special teamwork groups of the Group constitute the second line of defence for implementation of comprehensive risk management measures, mainly responsible for performing and implementing comprehensive risk management and internal control systems and relevant affairs, and strictly implementing day-to-day risk management measures; organising all departments to identify and evaluate the actual risk management of their respective businesses; and promptly reporting risks in relation to the implementation of management strategies and solutions for significant risks.

Third Line Defence: Defence line for assessment of comprehensive risk management

As the third line of defence for comprehensive risk management, the Group's audit department is mainly responsible for supervising and assessing the implementation and quality of comprehensive risk management measures, and on-going effectiveness of risk countermeasures in combination with audit projects, and issuing the audit report on supervision and assessment.

Management Procedures for Significant Risks

The Group formed the three defence lines of risk management organisational system to improve the monitoring and management of potential significant risks. The audit department leads and organises each department and subsidiary to assess relevant risks on an annual basis.

Based on risk management provisions and actual corporate status, the Group conducts risk assessment mainly focusing on five aspects: strategic risk, financial risk, market risk, operational risk, legal and compliance risk. Targeting at identifying such risks above, potential significant risks are ultimately determined with qualitative and quantitative standards, while risk factors are identified and assessed based on each core business. The Group prevents the reoccurrence of same or similar risk events by tracking and managing the whole process of risk assessment and relevant significant risks during the year, implementing the supervision and improvement mechanisms for significant risk management strategies and solutions, and establishing and implementing relevant solutions.

Corporate Governance Report

Measures and Means of Defence Lines:

With an aim to improve the Group's risk management and internal control systems while enhancing its management standards and ability to mitigate risks, the audit department organises all functional departments of the Group for promoting and training on self-assessment of internal control and comprehensive risk management, requiring all departments and personnel to carry out risk assessment as required and penetrate risk management in their daily operations in combination with their actual conditions, so as to create an unified cultural atmosphere for risk management within the Group. In addition, the Group is equipped with a certain cultural base for risk management due to the development of complete risk assessment and response mechanisms.

In order to enhance the effect of risk awareness, the Group intensifies the establishment of internal control system, and trains the internal control personnel on an on-going basis through a "sharing of experience" approach, and provides support for employees in respect of their training courses and relevant budgets involved. In addition, a teamwork group is formed with the business department and internal control specialists to improve the establishment of internal control system and comprehensive risk management. Furthermore, the organisational structure and post duties are redefined, and the audit team is expanded with experienced full-time talents to increase the number of special audit projects, strengthen audit capacities and develop an echelon of talents, thus enhancing the risk management and internal control of the Group.

Inside Information Confidential Policy

An inside information confidential policy is in place to ensure that potential inside information may be obtained and confidentiality of such information may be maintained until timely disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

– designated reporting channels for different operations to inform of any potential inside information to designated departments;

– designated persons and departments to determine the manner of reporting and disclosure as required; and

– designated persons authorised to act as spokespersons and respond to external enquiries.

During the Period under Review, the Board examined the effectiveness of the risk management and internal control systems of the Group through the Audit Committee, and considered that the risk management and internal control systems are adequate and effective and the Group has complied with the Code's code provisions on risk management and internal control.

Principal Risks

A number of factors may affect the results and business operations of the Group. The Group focuses on addressing the following principal risks.

Corporate Governance Report

Principal Risks and Control Measures in 2017

Type of Risk	Description	Key Control Measures	Caused by
Strategic Risk	Risks of constraints on the Company's further development as a result of insufficient reserve for investment projects and inadequate prospective studies on the Company's long-term investment projects	1. Replenish the Group's project resources and realise continuous scale expansion, by virtue of OCT Group's resources and brand influence, promote efficiency of project developments and increase strategic reserve resources; 2. Devote more efforts into prospective research on project investments and include all relevant risk factors into our scope of research when conducting feasibility analysis as well as engage professional third party institutions to form a financial and legal due diligence report in the due diligence process.	The Group's comprehensive commercial development business has limited brand and market influence, mainly relying on OCT's brand advantage to seek potential projects in key cities. Channels for exploring other investments are to be further developed
Financial Risk	Risks of exchange losses caused by changes in exchange rate fluctuations and the Company's failure to hedge against currencies used for settlement	1. Establish currency hedging policy to lower or hedge against fluctuation risk through locking exchange and adjustment of foreign exchange reserve; 2. Conduct sensitivity analysis to forecast exchange rate changes and make timely adjustments to the capital reserve or loan funds; and 3. Monitor foreign exchange or interest rate risks.	Impacts of market interest rate or exchange rate and credit spread, intensified fluctuations in currency markets may result in potential increase in value loss on exchange or investment portfolios

Corporate Governance Report

Principal Risks and Control Measures in 2017

Type of Risk	Description	Key Control Measures	Caused by
Market Risk	Risks of increase in production costs as a result of frequent price fluctuations in the external raw materials market for which the Company may make inaccurate judgments for the price trends of raw materials	1. Optimise internal response mechanisms to respond to price fluctuations of raw materials more sharply and effectively; 2. Adjust the Group's product structure to meet market demands in a more proactive manner.	Greater fluctuation and frequency in price changes of raw materials in the paper packaging business in 2017 as compared to prior years

In 2018, the Audit Committee of the Group will continue to refine and improve the Group's risk management process in line with the Corporate Governance Code and industry best practices. In addition, we will focus on communication, awareness and ownership of risks across the Group.

Financial Reporting

The Directors are responsible for overseeing the preparation of the financial statements, to ensure the annual report gives a true and fair view of the financial position, results and cash flow of the Group for the year. In preparing the financial statements for the year ended 31 December 2017, the Directors have:

- selected appropriate accounting policies and applied them consistently; and

- made judgments and estimates that are reasonable.

The Company recognises that high quality corporate reporting is very important in reinforcing mutual trust between the Company and its stakeholders and aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects in all corporate communications. In order to achieve timely and effective communications with its shareholders, the Company publishes its annual results in a timely manner within the limit of four months after the end of a financial year.

The auditors' responsibilities are set out in the Auditor's Report on page 77.

Corporate Governance Report

Through the Audit Committee, the Board has reviewed the internal control system in respect of finance, operations and compliance of the Company and its subsidiaries. The Audit Committee considers that the Company and its subsidiaries have established all necessary mechanisms. The above control mechanism has ensured compliance in respect of the Company's operations. The Board considers that the Company has complied with the code provisions of the Code on internal control.

Remuneration of Directors and Senior Management

The Group paid total Directors' remuneration amounts of approximately RMB2,542,000, RMB1,903,000, RMB156,000, RMB130,000 and RMB130,000 to Ms. Xie Mei, Mr. Lin Kaihua, Mr. Lu Gong, Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon respectively for the year ended 31 December 2017. Mr. Yao Jun, Mr. He Haibin, Mr. Zhou Ping and Mr. Zhang Jing did not receive any Director's remuneration from the Group as of 31 December 2017. Details in relation to the Director's remuneration payment of the Group for the year ended 31 December 2017 are set out on page 123 of this annual report.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director.

Senior management's remuneration payment of the Group for the year ended 31 December 2017 falls within the following bands:

	Number of individuals
RMB500,000 or below	2
RMB500,001 to RMB1,000,000	0
RMB1,000,001 to RMB1,500,000	0
RMB1,500,001 to RMB2,000,000	4
RMB2,000,001 to RMB2,500,000	1
RMB2,500,001 to RMB3,000,000	1

Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year ended 31 December 2017.

Corporate Governance Report

Securities Transactions by Senior Management and Staff

The senior management and staff have been individually notified and advised about the Model Code by the Company.

Financial Officer

The Financial Officer is responsible for preparing interim and annual financial statements based on accounting principles generally accepted in Hong Kong and ensuring that the financial statements fairly reflect the Group's results and financial position as well as are in compliance with the disclosure requirements under the applicable provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules and other relevant laws and regulations. The Financial Officer reports directly to the chairman of the Audit Committee and coordinates with external auditors on a regular basis. In addition, the Financial Officer will review the control of financial risks of the Group and provide advice thereon to the Board.

Company Secretary

The Company Secretary of the Company reports directly to the Board. All Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure that the Board meeting procedures are properly followed and are in compliance with relevant laws and regulations. The Company Secretary is also responsible for giving advice to the Board with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of notifiable transactions, connected transactions and inside information. The Company Secretary shall provide advice to the Board with respect to strict compliance with the laws, requirements and the Company's articles of association as appropriate. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance so as to bring the best long term value to the shareholders of the Company. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company as appropriate. The Company Secretary is also responsible for supervising and managing the investors' relations of the Group.

The Company Secretary has complied with Rule 3.29 of the Listing Rules in respect of professional training requirements for the year ended 31 December 2017.

External Auditor

The Company reappointed RSM Hong Kong as the auditor of the Company on 2 June 2017.

RSM Hong Kong has resigned as the auditor of the Company with effect from 22 December 2017. KPMG has been appointed as the auditor of the Company with effect from 22 December 2017 to fill the casual vacancy following the resignation of RSM Hong Kong and to hold office until the conclusion of the 2017 annual general meeting of the Company to be held in 2018.

Corporate Governance Report

For the year ended 31 December 2017, the auditing and non-auditing (acting as a reporting accountant for the notifiable transactions of the Company) fees paid to our external auditor RSM Hong Kong were approximately RMB300,000 and approximately RMB442,000 respectively; the auditing and non-auditing (acting as a reporting accountant for the notifiable transactions of the Company) fees paid to our external auditor KPMG were approximately RMB1,559,000 and nil respectively.

The auditor's responsibilities to the shareholders of the Company are set out on page 77 of this annual report.

Investor Relations

The Company places great emphasis on its relationship and communication with investors. The Company has numerous communication channels, such as press conferences and seminars, to communicate with the media, analysts and fund managers. Designated senior management staff holds dialogue with analysts, fund managers and investors, who are also arranged to visit the Company and investment projects from time to time, so as to keep them abreast of the Group's business and latest developments. In addition, investors can also visit the Company's website at www.oct-asia.com for the most-updated information and the status of the business development of the Group.

The Board has adopted the revised and restated memorandum and articles of association. Investors can obtain the Company's latest memorandum and articles of association at the Company's website.

There had been no significant changes in the memorandum and articles of association of the Company during the Period under Review.

Communication with the Shareholders of the Company

The Board and senior management recognise the responsibility of safeguarding the interest of the shareholders of the Company and provide highly transparent and real-time information on the Company so as to keep the shareholders of the Company and investors abreast of the Company's position and help them to make the best investment decision. The Company believes that maintaining good and effective communication with shareholders of the Company can facilitate their understanding of the business performance and strategies of the Group. The Board and senior management also recognise the responsibility of safeguarding the interest of the shareholders of the Company. In order to safeguard the interest of the shareholders of the Company, the Company reports its financial and operating performance to the shareholders of the Company through annual reports and interim reports. Shareholders of the Company can also obtain information of the Group in time through annual reports, interim reports, announcements, circulars, press releases and the Company's website at www.oct-asia.com.

The annual general meetings of the Company provide an appropriate platform for direct communications between the Board and the shareholders of the Company. Shareholders of the Company can raise questions directly to the Board in respect of the performance and future development of the Group at the annual general meetings.

Corporate Governance Report

Shareholder's Rights

Procedures for convening an extraordinary general meeting by shareholders

In accordance with the requirements under Article 64 of the articles of association of the Company, extraordinary general meetings shall also be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within twenty-one days after such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 113 of the articles of association of the Company, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office of the Company. The minimum length of the period, during which the notices required under the articles of association of the Company will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board of the Company in writing through the Company Secretary whose contact details are as follows:

Attention: The Company Secretary
Overseas Chinese Town (Asia) Holdings Limited
Suite 3203-3204, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Email: ir-asia@chinaoct.com

The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to answer the questions of the shareholders of the Company.

Environmental, Social and Governance Report

ABOUT THIS REPORT

The Environmental, Social and Governance report (the "ESG Report") aims to provide information on the performance of works of sustainable development of the Company and its subsidiaries during the Period Under Review, which focuses on the environmental and social issues that the stakeholders concern and are also related to the sustainable development of the Group, thereby promoting the stakeholders to better understand the philosophy, measures and relevant performances in relation to the sustainable development of the Group.

Reporting Scope and Period

The ESG Report covers the relevant environmental and social performance of the Group's core business in Mainland China (i.e. comprehensive development business) during the Period Under Review. Information on corporate governance is detailed in the Corporate Governance Report section of this annual report.

Reporting Framework

The Group compiled the ESG Report in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited ("SEHK"). The environmental and social management policies, strategies, relevant importance and objectives of the Group will be disclosed in the sections of the ESG report.

Report Confirmation and Approval

The Group guarantees the reliability, authenticity and objectivity of the information in the ESG report. Through this ESG report, we hope to enhance the communication and information exchange with stakeholders and demonstrate the transparency of the Company's management, in order to achieve sustainable development in respect of economic, social and environmental aspects. The ESG was approved by the Board of directors on March 24, 2018.

Feedbacks

The Group attaches great importance to your views and suggestions on the ESG report. If you have any comment or suggestions, please email to the following address: ir-asia@chinaoct.com.

Environmental, Social and Governance Report

RESPONSIBLE FOR COMMUNICATION

Communicate with Stakeholders

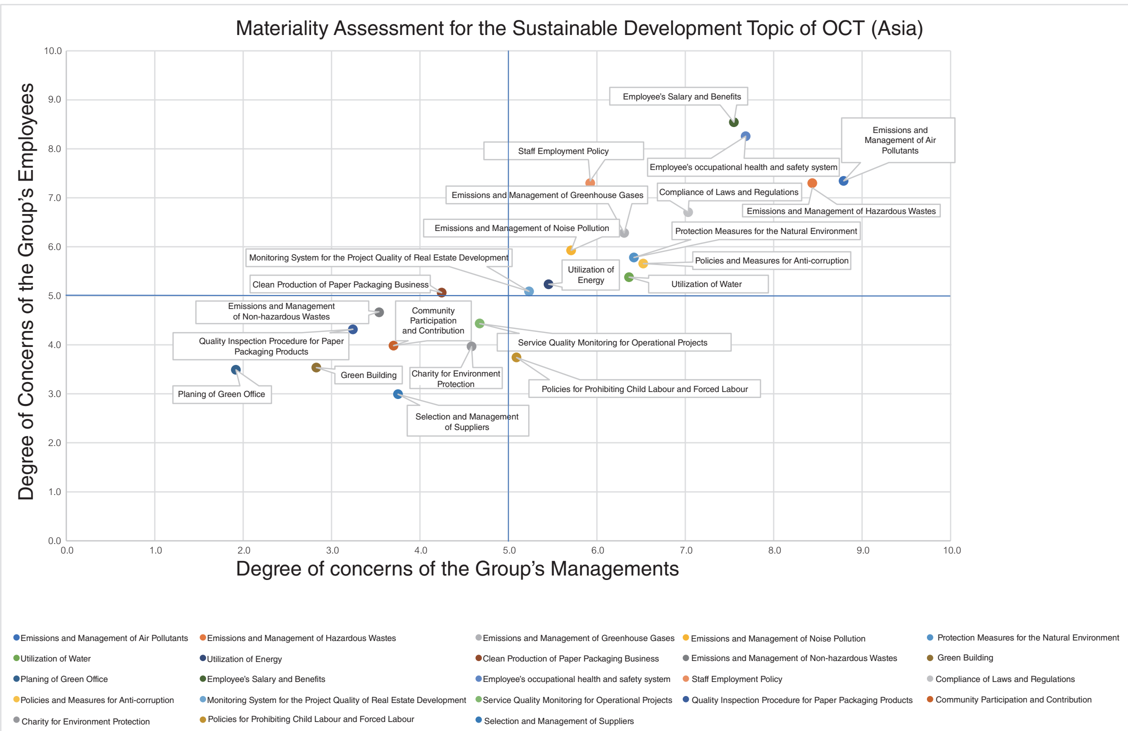
The Group pays high attention to the opinions of stakeholders and communicates through various channels and platforms to understand their expectations and comments, which helps the Group to objectively inspect the issues that need to be concerned and solved during planning, managing, implementing, and estimating the corporate social responsibility and sustainable development. Currently, the Group's stakeholders mainly include government and regulatory agencies, investors (shareholders), customers, employees, suppliers, media, community publics and etc.

Main Stakeholders	Communication Channels
Government and Regulatory Agencies	Participated in meetings organized by the Government Actively reported to the related departments Took the initiative to accept supervision
Investors (Shareholders)	Shareholders' meeting Disclosure of listing information Road show activities such as annual results announcement and interim results announcement
Customers	Customer complaint mechanism Customer satisfaction survey
Employees	Regular and non-regular employee interviews Employee training Employee activities
Suppliers	Communication through email Telephone interview Site visit
Media	Press conference Communication through email Telephone interview
Community and the Publics	Participated in community activities Charity donation

Environmental, Social and Governance Report

Identification of Material Topics

In order to respond to the expectations and concerns from various stakeholders more effectively, the Group adopts different channels to communicate with those parties sufficiently. During the Period Under Review, the Group was able to understand the level that internal stakeholders concerned about the sustainable development topics of the Group through interviews, questionnaires, etc., and ranked them by their importance after analysis (as shown below).



According to the scores, the top ten topics that are most concerned are as follows:

Order of Scores (From High to Low)	Topics
1	Emissions and management of air pollutants
2	Emissions and management of hazardous waste
3	Health and safety of employees and safety system
4	Staff salary and benefits
5	Compliance with laws and regulations
6	Anti-corruption policies and measures
7	Protection measures for natural environment
8	Use of water
9	Emissions and management of greenhouse gases
10	Staff employment policies

Environmental, Social and Governance Report

DEDICATING TO COMMUNITY

While pursuing self-development, the Group also actively practices the responsibility of corporate citizenship and promotes positive energy.

On January 17, 2017, Chengdu OCT organized activities to care for children with autism. The event invited dozens of children with autism to play in Chengdu Happy Valley and let the children relax for a moment and enjoy the innocence and family warmth in addition to the complicated life.

On November 24, 2017, a team of volunteers formed by Xi'an OCT Land and the government of Beilin District, carried out poverty alleviation and drug delivery activities in Huaxu Town. The medical staffs of the community health service center provided the villagers with free clinics, drugs distributions and free haircuts. After the free clinics, the volunteer team visited 3 typical poor families in Ashi Village and each family received RMB5,000 donations from Xi'an OCT, in order to take targeted measures in poverty alleviation.

On the afternoon of April 25, 2017, the "OCT- Creative Art Room" charity program, the first multimedia classroom, was successfully completed in Hope School in Jinniu District, Chengdu. The "OCT-Creative Art Room" charity programme launched by Chengdu OCT's charity group aimed to help the schools to improve their teaching facilities, so that more students could learn through the multimedia platform, be nurtured by art, and portray the good tomorrow imagined in their hearts.

On the evening of August 30, 2017, the 10th "Love's Decibels --Chinese Anchor Charity Recitation "("Love's Decibels") was sponsored by Chongqing OCT Land and closed at the National Centre for Performing Arts in China. The event brought 35 Chinese anchors of and 18 young Chinese readers from Chongqing OCT Land with an average age of less than 9 years old, and was accompanied by national music masters. The money raised from "Love's Decibels" Recitation in the past five years has provided help for more than 10 thousands of hearing-impaired children's families.

Environmental, Social and Governance Report

CARE FOR THE ENVIRONMENT

Ecological environment is the foundation for the survival of human being. The Group understands that sustainable development is the realization of harmonious development between human and natural environment. As an enterprise that focuses on becoming a "developer and operator of an outstanding commercial complex," the Group has always adhered to the scientific concept of development, continued to promote the Group's structural adjustment, transformation and upgrade. In addition, the Group has established long-term goals for green development and has optimized environmental protection regulations to strengthen the control of environmental pollution and environmental risk prevention and management, thereby practically protecting the water, sky and mountains.

The Group's comprehensive development business complies with laws and regulations, including the *Environmental Protection Law of the People's Republic of China, the Ambient Air Quality Standard, the Integrated Wastewater Discharge Standard* and the *Regulations on the Administration of Construction Project Environmental Protection*. For the paper packaging business, except the laws and regulations mentioned above, the local air and water pollutants emission limits and the Emission Standard for Industrial Enterprises Noise at Boundary are also followed. All subsidiaries of the paper packaging business have obtained the ISO14001: 2004 Environmental Management System certificate, and also hired third-party testing agencies to test on the discharged wastewater, gases, dust, and noise to ensure that the relevant emissions meet the relevant standards. In addition, prior to the commencement of construction projects, the Group strictly complied with national and local environmental protection regulations to compile environmental impact reports (tables) for construction projects, in order to analyze the impact that the project may have on the environment, determine the main target for environmental protection and formulate measures to reduce environmental impacts.

Wastewater Management

The premises of the Group's comprehensive development business mainly discharge municipal sewage. All premises have been granted the wastewater discharge permit. Chengdu Happy Valley is running a theme park with a lake inside. The staffs of the theme park carry out cleaning cycles regularly to maintain the water quality at a level better than the natural rivers in the city.

The premises of the Group's paper packaging business mainly discharge production wastewater and domestic sewage. All premises have been granted pollutant discharge permit. Besides, each branch of the paper packaging business has formulated related wastewater management system and implemented to the Company's production, operation and service sections to improve the effectiveness of wastewater management and ensure compliance with the discharge standards. For examples, Suzhou Huali's packaging board and carton production projects, its industrial wastewater is recycled after being processed by the factory's self-built production wastewater treatment facility, which achieved zero discharge. After the project is put into operation, the domestic sewage will be connected to the sewage pipe network, which will be discharged into Yantie Pond after being processed by the municipal sewage treatment company.

Environmental, Social and Governance Report

Air Pollutants Management

The Group attaches great importance to the emission and management of gaseous pollutants, encouraging subsidiaries to improve their construction plans, improve production processes, upgrade manufacturing equipment, and continuously innovate clean production methods to reduce the emission of gaseous pollutants. For instance, the premises of comprehensive development business purchasing construction materials in nearby areas to reduce transportation distance, taking anti-dust measures in construction sites, adopting solar water heating system, adopting low-temperature radiant floor heating system, selecting water chillers and boilers with high efficiency for air-conditioning system and so on. The premises of paper packaging business reduce exhaust emissions by eliminating high-polluting boiler equipment and using low-pollution fuels. At the same time, the companies regularly monitor the concentration of pollutants in the exhaust gas to ensure that the exhaust emissions were complied with the relevant national and local laws and regulations, such as the *Integrated emission standard of air pollutants (GB16297-1996)*.

Solid Waste Management

The Group strictly complies with the relevant laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*, the *Standard for pollution control on hazardous waste storage* and the *Administrative Measures for Hazardous Waste Transfer Manifests*. The Group also continuously improving the management of solid waste discharge, give priority to recycling, and strive to reduce the generation of solid waste from the source.

The solid wastes generated by the premises of the Group's comprehensive development business are mainly office waste, renovation waste, and construction waste. The hazardous solid waste generated during the production and operation of the premises of the Group's paper packaging business mainly includes sludge, waste residue, and hazardous waste generated from sewage wastewater treatment, while non-hazardous solid waste includes waste paper (such as scraps of base paper, office use paper), metal (such as old components of equipment, scraps of metal), disused templates, plastic boards, plastic buckets, ink-boxes, domestic waste, and so on.

For non-hazardous solid waste, the Group strengthens its recycling in terms of systems and management measures. For example, the Group promotes double-sided printing and recycles the paper as much as possible, promotes the use of Office Automation System (OA System) to promote paperless office work, strengthens the recycling of metal scraps, office and domestic wastes are uniformly collected and processed by the government's sanitation department.

At the same time, the Group implements scientific, rational and standardized treatment of hazardous solid waste in accordance with the *Standardized Management Index System of Hazardous Waste*, strictly implementing procedures for the reporting and registering of hazardous wastes, keeping them stored separately at designated points, and signing hazardous waste entrustment disposal contract with qualified disposal party to avoid environmental pollution caused by improper disposal of hazardous solid waste.

Noise Control

The Group also attached great importance to the noise pollution generated during the daily production and operation, and actively took relevant measures to avoid the impact on the surrounding residents and the environment. For example, the Group stipulates that the construction time must be strictly controlled during the construction period of an comprehensive development project, in order to ensure that the noise emission

Environmental, Social and Governance Report

value complies with the emission limit of the *Emission Standard of Environment Noise for Boundary of Construction Site*. In addition, the selection of operation sites for the paper packaging business shall ensure that there is no residential area around the factories. Soundproof rooms are also be installed to limit the noise generated by factories to exceeding the standard, in order to minimize the impacts on the environment to the largest extent.

Energy Saving and Consumption Reduction

During the Period Under Review, the Group continued to respond to the national call for energy saving and emission reduction, starting with the details of daily operations to increase investment in environmental protection, and fulfilled its energy-saving emission reduction commitments through new technology applications and comprehensive utilization of resources.

The Group actively implemented various water-saving policies, in order to realized water saving from sources by encouraging subsidiaries to improve technology, strengthening management for water-saving, improving efficiency for water usage, and reduce the use of fresh water. Meanwhile, in order to reduce the emission of greenhouse gases (mainly carbon dioxide), the Group continued to strengthen the management of electricity consumption in its daily operations and made every effort to reduce electricity consumption. The measures taken included installation of energy-saving lighting fixtures in the office area and adjusting light running time according to the weather conditions and region, selection of air conditioning with energy-saving signs and limits its temperature and opening time, use of high-efficiency elevator, etc. In addition, the Group continuing to promote the use of clean energy and utilizing natural gas as the main fuel in the production and operation process, in order to reduce air pollutant emissions so as to reduce the impact on air quality.

Ecological Construction

The Group has always put ecological and environmental protection onto the top of its agenda, strived to explore the mode of harmonious coexistence between the environment, society and economic development. While realizing its own development, the Group also paid attention to the construction of ecological protection, taking practical actions to improve the quality of ecological environment and enhance the quality of life in the city.

Since year of 2005 when Chengdu OCT was located in upstream of the Fu River, the Company has invested more than 100 million RMB over these 12 years, to carry out overall transformation and protection of Fu River, which demonstrated the Group's efforts to actively implementing the social responsibility of a central government-owned enterprise.

Chengdu OCT had conducted large-scale re-constructions for the river channel, embankment and flood protection channel that 1.2 kilometers away from Fu River. The straightening of the original Laohewan has improved its flood control capabilities, and the dredging was completed at the same time. The new embankment flood control passage was built according to municipal roads, and three river-crossing bridges were constructed with complete municipal rain and sewage pipelines, tap water pipelines, strong and weak electricity lines and street lighting systems. In addition, Chengdu OCT has also carefully built 50 meters of waterfront greenery on both sides of the river, and built a health runway and health trail. For the 1.8-kilometer inland river, Chengdu OCT also intercepted all sewage pipelines along the coast, and adopted ecological restoration technology to purify water quality of the inland rivers. The project has made outstanding contributions to the improvement of the quality of urban construction and demonstrated the commitment of the Group as a central government-owned enterprise to social responsibility.

Environmental, Social and Governance Report

ENVIRONMENTAL PERFORMANCE DATA

During the Period Under Review, the Group collected data on the use of various resources and calculated the emissions of greenhouse gases and solid wastes. Details are displayed as follows:

	Comprehensive Development Business[1]
Total Amounts of Resource Consumption	
The Amount of Electricity Consumption (kWh)	74,745.2
The Amount of Gasoline Consumption (L)	47,174.3
The Amount of Diesel Consumption (L)	5,783.5
The Amount of Water Consumption (Tons)	317,461.0
Vehicle Air Pollutant Emissions[2]	
CO Emissions (kg)	87.2
NOx Emissions (kg)	0.8
SOx Emissions (kg)	326.4
PM2.5 Emissions (kg)	4.1
PM10 Emissions (kg)	4.5
Greenhouse Gas Emissions[3] (scope 1 and scope 2)	
Vehicle Emissions (scope 1) (Tons)	123.8
Energy Consumption Emissions (scope 2) (Tons)	42.1
Total Greenhouse Gas Emissions (Tons)	165.9
Production of the Hazardous Waste	
Lamp (No.)	–
Battery (No.)	–
Toner Cartridge (No.)	1
Printer Cartridges (No.)	–
Production of the Non-hazardous Waste	
Paper (Tons)	–
Stationary (Tons)	–

Notes:

(1) The data of the comprehensive development business in the above table came from the headquarters of the Group, Chengdu Tianfu OCT Industry Development Co., Ltd., Overseas Chinese Town (Shanghai) Land Co., Ltd., Xi'an OCT Land Co., Ltd., and Xi'an OCT Investment Ltd;

(2) The emission factors of the pollutants emission calculation were referring to the Technical Guide for Air Pollutant Emission Inventory for Road Vehicles (Trial) and the Gasoline for Motor Vehicles GB 17930-2016;

(3) The calculation method of the greenhouse gas emissions was referring to the "Appendix II: Reporting Guidance on Environmental KPIs" of SEHK.

Environmental, Social and Governance Report

CULTURAL INHERITANCE

Since 2010, OCT SUHE CREEK has been developing at the Suzhou Creek area. In addition to the new construction projects, the old buildings, warehouses, and old factories left over from the surrounding area have also been gradually reconstructed and restored, and the picture of the new historical streets emerged. In the processes of reconstruction and transformation, the Group still retained many of its former living structures. The respect for history is still reflected in the renewal of those old buildings on the banks of Suzhou Creek.

The Group believes that the restoration and transformation of historic buildings is to display their historical values, on the other hand, the Group wishes to exert their social value as much as possible and shoulder part of the public education functions. In response to the restoration work of the Shanghai General Chamber of Commerce, the Group took the original appearance of the 20th century (the first 20-30 years) as reference, gathered the UDG's designers to repair the buildings of the General Chamber of Commerce, the gatehouse and the wall, also removed and expanded, restored the original slope roof and large terrace, retaining the history of two walls, retaining beautiful craftsmanship and decorations, etc. As for the "Ewo Press Packing Company", in addition to the same retaining of the clear water red brick wall, the Group also retained the roof and interior of the value of the cast iron and wood columns, using the original technology and materials to restore the original style of the building, quite retro style. The "Ewo Press Packing Company", which was completed the repair in 2012, has been used for a long time as the Planning Exhibition Center of the OCT SUHE CREEK. The Shanghai General Chamber of Commerce will soon appear on the riverside of Suzhou Creek in a new status.

Original Appearance of Shanghai General Chamber of Commerce Building

Appearance of Shanghai General Chamber of Commerce Building After Restoration

"Ewo Press Packing Company" is Transformed into OCT-Contemporary Art Terminal (OCAT) Shanghai

Environmental, Social and Governance Report

WORKING HARD TOGETHER

The Group firmly believes that the power of teamwork is the basic driving force for the Group's continuous growth and sustainable development. The Group has always adhered to the "people-oriented" management philosophy, continuously improving the staff management system, safeguarding the legitimate rights and interests of employees, established a quality staff development system and created a good working environment. Growing together with all employees is the direction that the Group has been working hard for.

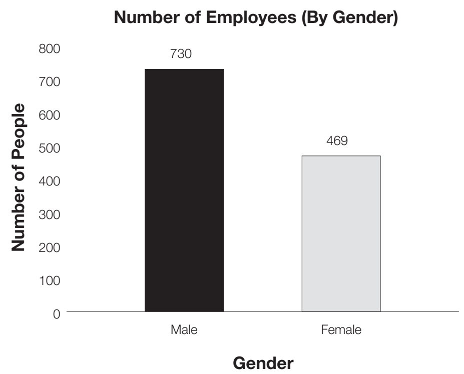
Employment Management

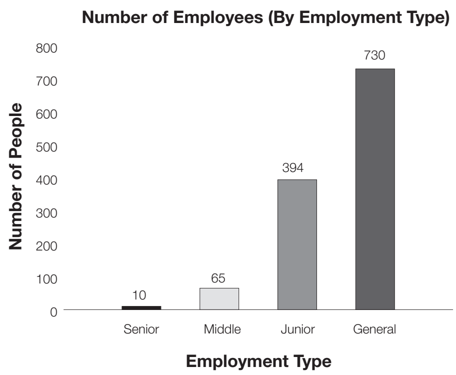
The Group acts in strict compliance with the laws and regulations, such as the *Labour Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China*, the *Regulation on Paid Annual Leave for Employees*, the *Employment Ordinance* of the Hong Kong Special Administrative Region ("HKSAR"). The Group has established the recruitment process and employee handbooks, and adheres to the principles of fairness and equality in the recruitment, employment and dismissal process. In the human resource manual prepared by the Group, the Group has stipulated holiday management method, departmental and employee performance management system, remuneration management systems, personnel retirement management procedure, grade setting and recruitment and dismissal management procedures, in order to further improve the Group's employment management system.

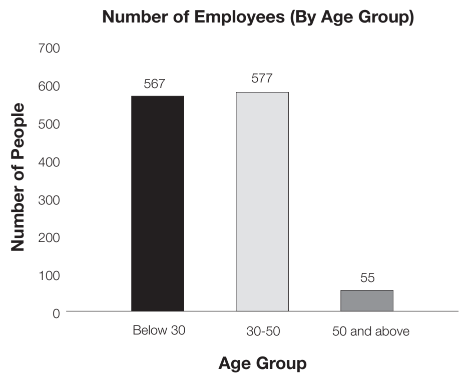
In addition, the Group complies with the relevant laws and regulations for the prevention of forced labor, and rigorously reviews the applicant's identity information during recruitment to eliminate the use of child labor. During the Period Under Review, the Group did not receive any employment-related discrimination case or any complaint about violation of the rights and interests of employees.

Employees' Composition

During the Period Under Review, the Group strives to create a work environment with equal opportunities and diversity, and free from discrimination. The Group will not make decisions on recruitment, promotion or dismissal based on factors that unrelated to work such as employees gender, race, age, disability, family status, marital status, religions belief, etc. The Group's number of employees by gender, employment type and age group are shown below:







Environmental, Social and Governance Report

In terms of remuneration management, the Group implements policy of "payment based on the position", which determines the salary range based on factors such as prevailing industry wage, employee's experience, employee's position and performance. The Group also provides monthly welfare benefits to its employees, including food subsidies, communication subsidies and books and newspapers subsidies, etc. In Spring Festival, Labor Day, and National Day, formal employees are paid with festival fees. The Group also provides clothing fee for formal employees, travel and birthday expenses, high-temperature allowance, cool drinks fee, etc. The Group conducts a comprehensive performance appraisal at the end of each year. According to their appraisal results, the Group distributes annual bonuses to employees and makes corresponding adjustments to their salaries and positions in the next year.

The Group implements a five-day working week (Monday to Friday), which requires employees to work no more than seven hours a day. In addition to the national and local statutory holidays, employees who have worked continuously for one year or more in the Group may enjoy paid annual leave of different days depending on the years of working. In addition, the employees of the Group can also enjoy various holidays such as injury and sick leave, personal leave, bereavement leave, marriage leave, deferred holiday, maternity leave and care leave. For employees who work overtime during statutory holidays, the Group will provide overtime compensation in accordance with relevant laws and regulations.

In terms of employee benefits, the Group not only provides basic social insurance for employees according to the relevant national and regional laws and regulations, but also pays housing provident funds for employees, and provides enterprise annuities, insure employees with medical insurance that related to accidents, serious diseases, and hospitalization.

Health and Safety

Maintaining the occupational health and safety of employees is the foundation for the stable development of a corporate. In order to guarantee the safety of the working environment of employees, the Group earnestly abides by the relevant national laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases,* the *13th Five-Year Plan for the Treatment of Occupational Disease Hazards* and the Regulation on Work-Related Injury Insurances. The Group has also established a comprehensive occupational health and safety management system, and has entrusted professional organizations with relevant qualifications to perform testing on the working environment and has performed field assessment to the site with potential occupational health hazards. Meanwhile, the Group also has regularly conducted fire safety drills to train employees on fire safety knowledge, in order to raise employees' awareness of occupational safety. The Group has also regularly arranged employees in occupational hazard positions to undergo physical examinations. Zhongshan Huali, a subsidiary of the Group, has established a special health and safety committee to manage health and safety work, discover hidden health and safety risks, and supervise related departments responsible for rectification.

The Group has always adhered to the principle of "prevention-oriented, prevention-control-integrated" for occupational safety prevention and treatment. During the Period Under Review, the Group carried out occupational health and safety trainings repeatedly with 447 attendances, mainly targeting employees exposed to noise and dust. The Group also carried out publicity and education on the contents such as prevention and control of occupational diseases and the use and management of labor protection products.

During the Period Under Review, the Group did not record any serious safety incident.

On June 6, 2017, Huizhou Huali organized fire drill safety knowledge training

Environmental, Social and Governance Report

On June 17, 2017, Zhongshan Huali organized all employees to conduct fire evacuation drill activity

Development and Training

The growth of talents is the major element to drive corporate development, and is the key to construct the core competitiveness of a corporate. The Group always adhered to the talent concept of "people-oriented, creativity, identification, excellence", dedicating to realize the joint development of employees and the corporate.

The Company's internal training included centralized training and position training. The centralized training mainly focuses on the training of basic knowledge for new recruits, and was mainly conducted by internal lecturers. Besides, position training is aimed at the respective positions of new employees. Each department conducts guidance and simulation operations so that new employees can become familiar with their position operations as soon as possible. Department's position training needs to be carried out within three days after the new recruit arrives to the post. Centralized training can be appropriately adjusted according to the situation of centralization of onboarding. In principle, the training should be conducted once every quarter.

On January 5, 2017, the Group held a talk on the new operation mode of a town

On December 5, 2017, the Group held a training on current investment and financing market consultation

Environmental, Social and Governance Report

In addition, the Group actively cooperated with the parent company OCT Group's "Hang" series training programme to strengthen the training for leaders and business backbones. During the Period Under Review, the total number of trainees of the Group reached 800, and the average number of training hours per person was 25 hours.

In 2018, the Group will continue to carry out diverse and various training courses. The training courses include "strategic transformation- management concept-oriented" training for employees at different levels, professional training in investment management practices, professional training such as legal risk management practices and financial management practices, and general-purpose training to improve communication skills. These training courses aim to enhance the overall personal qualities, business abilities and management capabilities of employees.

Employee Activities

The Group attaches importance to the physical and mental health of employees. The Group regularly organizes a variety of activities and advocates a balanced "win-win" model between work and family. For examples, the Company organized badminton competition, group chorus festivals, etc; Anhui Huali held spring celebration activity, fun sports games, tug-of-war competitions, etc.; Zhongshan Huali organized women compatriots to visit Sunflower Garden, employee sports games, and tree planting activity on the Labour Day. Through these activities, the Group enriched leisure life of employees, and also enhanced their sense of belonging and cohesion.

Activity sharing: On March 15, 2017, the Company held a badminton competition with the theme of "Cross the Dream, Meet You with Badminton"

Activity sharing: On June 10, 2017, Anhui Huali organized a tug-of-war for all of its employees, in order to enrich corporate cultural life and enhance team cooperation

Activity sharing: On November 3, 2017, the Company held a chorus festival activity

Environmental, Social and Governance Report

EXCELLENCE MANAGEMENT

Supply Chain Management

The Group strictly abides by the relevant laws and regulations such as the *Bidding Law of the People's Republic of China*, and formulated the Tendering and Bidding System of Overseas Chinese Town (Asia) Holdings Limited and Raw Paper and Starch Procurement Management Method of Overseas Chinese Town (Asia) Holdings Limited in conjunction with the Group's comprehensive development business and paper packaging business, in order to regulate supplier selection procedures. The major raw materials that used in the Group's paper packaging business are raw paper and starch. To guarantee the quality of raw materials and the service quality of suppliers, the Group select suitable suppliers by conducting strict assessment on indicators such as the quality of suppliers, timing of delivery and degree of cooperation in accordance with the relevant supplier assessment control procedures. For the paper packaging business, the Group also requires suppliers to provide inspection reports of "The Restrictions on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment" and conduct monthly supplier assessment.

Product Responsibility

Safety Management

The Group strictly abides by the relevant laws and regulations such as the *Production Safety Law of the People's Republic of China*, the *Measures for the Administration of Contingency Plans for Work Safety Accidents* and the *Emergency Response Law of the People's Republic of China*. The Group earnestly implemented the safety responsibility system, and signed a total of 56 "Safety Management Responsibility Book" and 943 of the "Staff Safety Commitments" with the subsidiaries, achieved "full coverage" of safety responsibilities and standardized the responsibility for safety management of each position. In addition, the Group also compiled the "Safety Hazard Identification Manual" to explain common safety hazards and common sense of safety to improve the safety awareness of all employees and nip accident in the bud.

The subsidiaries of the Group's comprehensive development business adhere to the working principle of "Safety is Greater than Everything and Safety Lies in the Heart of Everyone." The subsidiaries insist on the work method that includes frequent patrolling and inspection, timely detection of problems, and timely rectification to ensure all of the businesses being operated safely and smoothly. The subsidiaries of the paper packaging business strictly comply with the "Safety Production Inspection System" that formulated by the Group to conduct detailed inspections and supervise rectification in the following part: the implementation of safety production responsibility system and various regulations and policies, the performance of equipment, clearance of passage and exit, insecurities in various procedures and situations of different departments and production processes, unsafe behavior of workers, vulnerabilities of safety production management, qualification of personnel for special positions, the use and storage of hazardous chemicals, etc. All subsidiaries of the paper packaging business have obtained the Second-Class Safety Production Standardization Certification.

Quality Management

In order to ensure product quality, the Group has established a completed quality management system and inspection procedures to conduct comprehensive management and control for the quality of products, and strives to provide customers with reliable quality products. For example, Zhongshan Huali, which is a subsidiary of the Group's paper packaging business, has formulated the "Product Inspection Control Procedures" according to the characteristics of its own business. Through the inspection of the overall production process of cardboard and carton (watermark and color printing), the quality of the produced products is guaranteed to be in line with the requirements of customers. Zhongshan Huali has also formulated the "Product Identification and Traceability Control Procedures" to clarify the identification and traceability method for raw and auxiliary materials, products being processed and finished products, in order to prevent confusion, misuse of products or defective products. Based on the quality of the identified traceability products, Zhongshan Huali will identify the causes and take corrective actions. Through the inspection of materials, products being processed and finished products, and the control of test conditions, Zhongshan Huali ensures to produce and use qualified products.

Environmental, Social and Governance Report

The Group strictly observes the national and regional laws and regulations in respect of products and services. All the subsidiaries of the Group have obtained ISO9001: 2008 Quality Management System Certificate. During the Period Under Review, the Group did not receive any complaint related to the quality of products and services.

Privacy Protection

Besides making guarantee for product quality, the Group also attaches great importance to the protection of customer privacy. In daily operation and management, the Group strictly implemented the requirements set by relevant laws, regulations and rules. Each subsidiary has also formulated relevant regulations for management of customer information according to the needs of business, and implements strict confidentiality mechanisms for customer information. Employees who violates the relevant regulations to intentionally or errantly leaked the confidential information of the Group shall be given administrative sanctions or financial penalties according to the specific circumstances and the consequences of the harm. The employee shall be dismissed if the circumstance is serious.

In respect of advertising, labeling, and maintenance of intellectual property, the Group strictly abides by the relevant laws and regulations such as the *Advertising Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, and the *Intellectual Property Law of the People's Republic of China* to ensure the authenticity and accuracy of product advertisements, protect the intellectual properties that belonging to the Group, and firmly prevent the occurrence of infringement. During the Period Under Review, the Group did not receive any case related to the infringement of customer privacy and intellectual property rights.

Anti-corruption

The Group strictly complies with the laws and regulations such as the *Rules on Integrity of Executives of State-Owned Enterprises,* the *Anti-Corruption and Bribery Law of the People's Republic of China* and the *Anti-Money Laundering Law of the People's Republic of China*. In accordance with practical situation, the Group has formulated the "OCT Group's Measures for the Implementation of the System of Accountability for Improving the Conduct of the CPC and Upholding Integrity", "OCT Group Leaders' Honest Talk Implementation Measures", "OCT Group's Disciplinary Inspection" and "Petition Reports to Handle Business Processes and the Interim Measures for OCT Group's Conversation and Inquiry". These policies initiate the employees to work honestly and enhance their awareness of anti-corruption. The Group firmly puts end to illegal activities such as bribery, extortion, fraud and money laundering, thereby promoting healthy and sustainable development of the Group.

The Group has established report channels such as letter, visit, hotline, report messages, and online reports to encourage employees and any third party to report any illegal and irregular event that is related to the Group's business. The Group will proceed reports in accordance with relevant procedures and conduct investigation. In 2018, the Group will continue to strengthen the management of disciplinary inspection, supervision, and reporting, and will expand the scope of legal training and talks in terms of practice integrity to standardize employees' behaviors of honesty and self-discipline. During the Period Under Review, the Group did not receive any illegal case regarding corrupt practices, extortion, fraud and money laundering that is related to the Group or employees.

Environmental, Social and Governance Report

CONTENT INDEX OF THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT"

A. Environmental			
Items		**Descriptions**	**Reference Pages**
Aspect A1: Emissions			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	p.45-46
KPIs	A1.1	The types of emissions and respective emissions data	p.45,48
	A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	p.48
	A1.3	Total hazardous waste produced and, where appropriate, intensity	p.46, 48
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity	p.46, 48
	A1.5	Description of measures to mitigate emissions and results achieved	p.46
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	p.46
Aspect A2: Use of Resources			
General Disclosure		Policies on the efficient use of resources	p.47
KPIs	A2.1	Direct and/or indirect energy consumption by type in total and intensity	p.48
	A2.2	Water consumption in total and intensity	p.48
	A2.3	Description of energy use efficiency initiatives and results achieved	p.47
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	p.47
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Not applicable to the Group's business
Aspect A3: Environmental and Natural Resources			
General Disclosure		Policies on minimising the issuer's significant impact on the environment and natural resources	p.47
KPIs	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	p.47

Environmental, Social and Governance Report

<table>
<tr><th colspan="4">B. Social</th></tr>
<tr><th colspan="2">Items</th><th>Descriptions</th><th>Reference Pages</th></tr>
<tr><td colspan="4">Aspect B1: Employment</td></tr>
<tr><td colspan="2">General Disclosure</td><td>Information on:

(a) the policies; and

(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare</td><td>p.50-51, 53</td></tr>
<tr><td rowspan="2">Recommended Disclosures</td><td>B1.1</td><td>Total workforce by gender, employment type, age group and geographical region</td><td>p.50</td></tr>
<tr><td>B1.2</td><td>Employee turnover rate by gender, age group and geographical region</td><td>/</td></tr>
<tr><td colspan="4">Aspect B2: Health and Safety</td></tr>
<tr><td colspan="2">General Disclosure</td><td>Information on:

(a) the policies; and

(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards</td><td>p.51</td></tr>
<tr><td rowspan="3">Recommended Disclosures</td><td>B2.1</td><td>Number and rate of work-related fatalities</td><td>/</td></tr>
<tr><td>B2.2</td><td>Lost days due to work injury</td><td>/</td></tr>
<tr><td>B2.3</td><td>Description of occupational health and safety measures adopted, how they are implemented and monitored</td><td>p.51</td></tr>
<tr><td colspan="4">Aspect B3: Development and Training</td></tr>
<tr><td colspan="2">General Disclosure</td><td>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities</td><td>p.52-53</td></tr>
<tr><td rowspan="2">Recommended Disclosures</td><td>B3.1</td><td>The percentage of employees trained by gender and employee category (e.g. senior management, middle management)</td><td>/</td></tr>
<tr><td>B3.2</td><td>The average training hours completed per employee by gender and employee category</td><td>/</td></tr>
</table>

Environmental, Social and Governance Report

Aspect B4: Labour Standards			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	p.50
Recommended Disclosures	B4.1	Description of measures to review employment practices to avoid child and forced labour	p.50
	B4.2	Description of steps taken to eliminate such practices when discovered	/
Aspect B5: Supply Chain Management			
General Disclosure		Policies on managing environmental and social risks of the supply chain	p.54
Recommended Disclosures	B5.1	Number of Suppliers by geographical region	/
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	/
Aspect B6: Product Responsibility			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	p.54-55
Recommended Disclosures	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	/
	B6.2	Number of products and service related complaints received and how they are dealt with	/
	B6.3	Description of practices relating to observing and protecting intellectual property rights	p.55
	B6.4	Description of quality assurance process and recall procedures	p.54
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	p.55

Environmental, Social and Governance Report

Aspect B7: Anti-corruption			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	p.55
Recommended Disclosures	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	p.55
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	p.55
Aspect B8: Community Investment			
General Disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	p.44
Recommended Disclosures	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	p.44
	B8.2	Resources contributed (e.g. money or time) to the focus area	p.44

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 December 2017.

Principal Place of Business

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 February 2005. Its registered office and principal place of business are at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, Cayman Islands and Suites 3203-3204, Tower 6, The Gateway, Harbour City, Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong respectively.

Principal Activities and Business Review

The Company is an investment holding company. During the Period under Review, the Group is principally engaged in the comprehensive development business and the manufacture and sale of cartons and paper products.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance, including an analysis of financial key performance indicators, possible future development plans for the Group's business, employment policy and subsequent event(s), can be found in "Chairman's Statement" and "Management Discussion and Analysis" set out on page 4 to 18 of the annual report. A summary of the principal risks faced by the Group is set out in the section headed "Corporate Governance Report" of the annual report on page 24 to 40. This discussion forms part of this "Directors' Report".

Results and Distributions

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 83.

The Directors consider that dividends declared during the year or to be declared in the future by the Group will be decided by the Board in its discretion. The factors that the Board will take into consideration, including but not limited to, distributable profits, the Group's earnings, financial position, capital requirements and other factors which the Directors may deem relevant at the time. Undistributed profits will be used to provide funds for the Group's continuous growth and business expansion. Subject to the above, the Directors proposed the distribution of a dividend of HK48 cents per ordinary share for the year ended 31 December 2017 (2016: HK16 cents per ordinary share).

Financial Statements

The profit of the Group for the year ended 31 December 2017 and the financial position of the Group as at that date are set out in the consolidated financial statements on page 83 to 88.

Proposed Final Dividend and Closure of Register

The register of members of the Company will be closed from 31 May 2018 to 5 June 2018 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the forthcoming annual general meeting (the "Annual General Meeting"), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 30 May 2018.

Directors' Report

The Board proposes the payment of a final dividend (the "Final Dividend") of HK48 cents per share to shareholders whose names appear on the register of members of the Company on 13 June 2018. The register of members will be closed from 11 June 2018 to 13 June 2018, both days inclusive, and the proposed Final Dividend is expected to be paid on 22 June 2018. The payment of the Final Dividend shall be subject to the approval of the shareholders at the Annual General Meeting to be held on 5 June 2018. In order to be qualified for the proposed Final Dividend, shareholders should deliver share certificates together with transfer documents to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 8 June 2018.

The Board has approved the payment of a preferential dividend of HK20.25 cents per convertible preference share for the year ended 31 December 2017 on 13 April 2018.

Transfer to Reserves

Profit attributable to shareholders of the Company before payment of dividends of approximately RMB1,056.00 million (2016: approximately RMB386 million) has been transferred to reserves. Other movements in the reserves are set out in the consolidated statement of changes in equity and note 26 to the consolidated financial statements.

Fixed Assets

During the Period under Review, the Group invested approximately RMB585.00 million for the acquisition of fixed assets (including construction in progress). Details of the movements of fixed assets and construction in progress are set out in note 11 to the consolidated financial statements.

Share Capital

As of 31 December 2017, the total number of the issued ordinary shares of the Company was 652,366,000 shares, which is equal to the number of the prior year; the total number of the issued convertible preference shares of the Company was 96,000,000 shares, which is equal to the number of the prior year.

Details of the movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

Distributable Reserves

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2017 amounted to RMB2,722.00 million.

Pre-Emptive Rights

There was no provision in respect of pre-emptive rights in the articles of association of the Company or any requirement in the laws of the Cayman Islands requiring the Company to issue new shares to the existing Shareholders proportionately.

Purchase, Sale or Redemption of Shares

The Company has not purchased its own listed shares during the Period under Review. During the Period under Review, save as disclosed in this announcement, the Company or any of its subsidiaries has not purchased or sold or redeemed any listed shares of the Company.

Directors' Report

Material Contracts

Save as disclosed in this report, no contract of significance has been entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries.

Service Contracts

No Director has an unexpired service contract which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

Environmental Policies and Performance

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. In respect of the paper packaging business of the Group, we are committed to becoming an enterprise that cares about environmental protection and creates an eco-supply chain connecting suppliers, customers and consumers. For this, we require suppliers to provide environmental monitoring report to ensure that the raw materials purchased are in compliance with the requirements of relevant environmental regulations and rules. Our comprehensive development business carried out the concept of green construction, including construction planning and design, application of renewable energy, environmentally-friendly construction and green operation.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China while the Company itself is listed on the Stock Exchange. Our operations accordingly shall comply with relevant laws and regulations in Mainland China and Hong Kong. During the year ended 31 December 2017, the Group did not violate the relevant laws and regulations that have a significant impact on the Company.

Directors

The Directors during the year were as follows:

Executive Directors:

Mr. Yao Jun *(Chairman, resigned on 4 May 2017)*
Mr. He Haibin *(Chairman, appointed on 4 May 2017)*
Ms. Xie Mei *(Chief Executive Officer)*
Mr. Lin Kaihua

Directors' Report

Non-executive Directors:

Mr. Zhou Ping (resigned on 30 March 2017)
Mr. Zhang Jing (appointed on 30 March 2017)

Independent Non-executive Directors:

Mr. Lu Gong
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

Directors' Interests in Contracts

Save as disclosed in this annual report, no contract of significance in relation to the Group's business to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries 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.

Personal Biographies of Directors and Senior Management

Personal biographies of Directors and senior management are set out on page 19 to 23.

Directors' Interest in Competing Business

None of the Directors is or was interested in any business other than the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2017 and up to and including the date of this annual report.

Directors' and Chief Executive's Interests and/or Short Positions in Shares and Underlying Shares

As at 31 December 2017, no interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) were held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix X of the Listing Rules.

Directors' Report

Interests and Short Positions of Substantial Shareholders and Other Persons

As at 31 December 2017, to the knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which should be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long and Short Positions in Shares

Name of substantial shareholders	Capacity/Nature	No. of Shares held	Approximate % of shareholding
Pacific Climax Limited ("Pacific Climax") *(Note 1)*	Beneficial owner	530,894,000 (long position)	81.38%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)")	Interest of a controlled corporation *(Note 2)*	530,894,000 (long position)	81.38%
Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.")	Interest of a controlled corporation *(Note 3)*	530,894,000 (long position)	81.38%
Overseas Chinese Town Enterprises Company ("OCT Group")	Interest of a controlled corporation *(Note 4)*	530,894,000 (long position)	81.38%
Others			
UBS Group AG	Person having a security interest in shares *(Note 5)*	150,000 (long position)	0.02%
	Interest of a controlled corporation *(Note 5)*	38,149,000 (long position)	5.85%
		32,000 (short position)	0.00%

Directors' Report

Notes:

(1) The interests held by Pacific Climax consist of interests (long position) in 434,894,000 ordinary shares and 96,000,000 convertible preference shares. Ms. Xie Mei and Mr. Lin Kaihua, both being executive Directors, and Mr. Zhang Jing, being a non-executive Director, are also directors of Pacific Climax.

(2) OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax. Therefore, OCT (HK) is deemed, or taken to be interested in all the Shares beneficially held by Pacific Climax for the purpose of the SFO. Mr. He Haibin and Ms. Xie Mei, both being executive Directors, and Mr. Zhang Jing, being a non-executive Director, are also directors of OCT (HK).

(3) OCT Ltd. is the beneficial owner of all the issued share capital of OCT (HK), which is in turn the beneficial owner of all the issued share capital of Pacific Climax. Therefore, OCT Ltd. is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT (HK) and Pacific Climax for the purpose of the SFO. OCT Ltd. is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. OCT Ltd. is a subsidiary of OCT Group.

(4) OCT Group is the beneficial owner of 53.47% of the issued shares of OCT Ltd., which is the beneficial owner of all the issued shares of OCT (HK) and in turn, the beneficial owner of all the issued share capital of Pacific Climax. Therefore, OCT Group is deemed, or taken to be interested in all the Shares which are beneficially owned by OCT Ltd., OCT (HK) and Pacific Climax for the purpose of the SFO.

(5) The interests of UBS Group AG consist of the interests (long position) in 33,000 shares, 1,626,000 shares, 2,046,000 shares and 34,444,000 shares (total: 38,149,000 shares) held by UBS AG, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Singapore) Ltd and UBS Fund Management (Luxembourg) S.A. respectively, and of interests (short position) in 32,000 shares held by UBS AG. UBS AG, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Singapore) Ltd and UBS Fund Management (Luxembourg) S.A. are wholly-owned by UBS Group AG, and UBS Group AG is also interested in 150,000 shares (long position) in the capacity as a person having a security interest in the shares. Therefore, UBS Group AG is deemed, or taken to be interested in a total of 38,299,000 shares (long position) and 32,000 shares (short position) for the purpose of the SFO.

Save as disclosed above, as at 31 December 2017, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

Directors' Report

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Period under Review.

Major Customers and Suppliers

The information in respect of the Group's revenue and purchases attributable to the major customers and suppliers respectively during the Period under Review is as follows:

	Percentage of the Group's total	
	Revenue	**Purchases**
The largest customer	4.8%	
Five largest customers in aggregate	17.6%	
The largest supplier		9.5%
Five largest suppliers in aggregate		32.2%

At no time during the year have the Directors of the Company, their associates or any shareholders (who to the knowledge of the Directors owns more than 5% of the issued shares of the Company) had any interest in the Group's five largest suppliers or customers.

Connected Transactions

During the year, the Group has the following continuing connected transactions (the "Connected Transactions") and the Company has fully complied with the announcement, reporting and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules (where applicable):

1. On 9 July 2014, Shenzhen Overseas Chinese Town Entertainment Investment Company Limited (深圳華僑城都市娛樂投資公司) ("OCT Entertainment") entered into a tenancy agreement ("Tenancy Agreement") with Shenzhen Huali for a term of three years commencing from the date of delivery of the premises, pursuant to which, OCT Entertainment agreed to lease certain properties located in Nanshan District, Shenzhen, Guangdong Province, the PRC to Shenzhen Huali as office premises.

   OCT Entertainment is a branch office of Overseas Chinese Town Real Estate Company Limited (深圳華僑城房地產有限公司) ("OCT Real Estate"). OCT Real Estate is a wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said Tenancy Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

2. On 28 December 2016, the Company and OCT Group entered into a cartons sale and purchase agreement for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Cartons Sale and Purchase Agreement"). Pursuant to the Cartons Sale and Purchase Agreement, the Group has agreed to sell cartons and other paper products to OCT Group and its associates. The exact amount of products to be sold and the selling price will be determined by OCT Group and/or its associates and the Group on each sale transaction with reference to the prevailing market prices of the products.

   OCT Group is the holding company of OCT Ltd. and holds approximately 53.47% interests in OCT Ltd. as at the date of this annual report. OCT Ltd. owns 100% equity interest in OCT (HK), which in turn owns 100% equity interests in Pacific Climax, which is a controlling shareholder of the Company. Accordingly, each of OCT Group and its associates is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said new Cartons Sale and Purchase Agreement constitutes a continuing connected transaction under the Listing Rules.

3. On 28 December 2016, OCT Shanghai Land entered into a property management agreement with Shanghai Branch Office of Shenzhen Overseas Chinese Town Property Service Company Limited (深圳市華僑城物業服務有限公司) for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Property Management Agreement"). Pursuant to the Property Management Agreement, OCT Property Service Shanghai Branch will provide property management services to OCT Shanghai Land in relation to the Shanghai Suhewan Project, the management fees payable will be calculated based on the actual areas that are managed, and the labour costs to be incurred by OCT Property Service Shanghai Branch. The parties shall enter into separate management contract(s) for the precise property that would be managed by OCT Property Service Shanghai Branch which shall specify the payment arrangement for the management fees.

   OCT Property Service is an indirect wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. OCT Property Service Shanghai Branch is a branch company of OCT Property Service. Accordingly, the arrangement of the said Property Management Agreement constitutes a continuing connected transaction under the Listing Rules.

4. On 28 December 2016, OCT Shanghai Land entered into an electrical and mechanical services consultation agreement with OCT Electricity for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Electrical and Mechanical Services Consultation Agreement"). Pursuant to the Electrical and Mechanical Services Consultation Agreement, OCT Electricity will provide electrical and mechanical consultation services to OCT Shanghai Land in relation to the Shanghai Suhewan Project. The consultation fees under the Electrical and Mechanical Services Consultation Agreement will be calculated based on the labour costs payable by OCT Electricity. The parties shall enter into separate consultation contracts for the consultation services that would be provided by OCT Electricity which shall specify the payment arrangement for the consultation fees.

   OCT Electricity is a wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said Electrical and Mechanical Services Consultation Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

5. On 28 December 2016, Chengdu OCT entered into a property management framework agreement with OCT Property Service Chengdu Branch for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Property Management Framework Agreement"). Pursuant to the Property Management Framework Agreement, OCT Property Service Chengdu Branch will provide property management services to Chengdu OCT in relation to Chengdu OCT's project in Chengdu. The management fees payable under the Property Management Framework Agreement will be calculated based on the actual areas that are managed and the manpower that have been employed by OCT Property Service Chengdu Branch and the parties shall enter into separate management contract(s) for the precise property that would be managed by OCT Property Service Chengdu Branch which shall specify the payment arrangement for the management fees.

   OCT Property Service is an indirect wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. OCT Property Service Chengdu Branch is a branch office of OCT Property Service. Therefore, the arrangement of the said Property Management Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

6. On 28 December 2016, Chengdu OCT entered into an electricity consultation services agreement with OCT Electricity Chengdu Branch with a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Electricity Consultation Services Agreement"), pursuant to which, OCT Electricity Chengdu Branch will provide, among others, daily and regular inspection, maintenance and management service to Chengdu OCT, its subsidiaries and branches in relation to certain electricity facilities in properties in the operating areas of Chengdu OCT and provide consultation services to Chengdu OCT, its subsidiaries and branches in relation to professional electricity supply skills and related business and the plan of constructing an electricity monitoring system of Chengdu OCT. The fees for the services will be determined by the parties by way of negotiation with reference to the prevailing market prices at the time of provision of such services and shall be paid on a quarterly basis.

   OCT Electricity is a wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. OCT Electricity Chengdu Branch is a branch office of OCT Electricity. Therefore, the arrangement of the said Electricity Consultation Services Agreement constitutes a continuing connected transaction under the Listing Rules.

7. On 28 December 2016, Chengdu OCT entered into a theme show framework agreement with OCT International Media for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Theme Show Framework Agreement"), pursuant to which, OCT International Media, its subsidiaries and branches agreed to (1) provide planning, costumes design and production, consultation and other services to Chengdu OCT for new projects in the future; (2) be fully responsible for the improvement, amendment and other works of Paradise Ethos; (3) complete the improvement and modification works for the existing performance projects in the Theme Park of Chengdu OCT, including but not limited to, scene play, theatre party, float parade, festival performance, etc.; and (4) assist Chengdu OCT to complete other performance works. The specific payment arrangement will be specified in the separate service agreement(s) to be entered into between the parties.

   OCT International Media is an indirect wholly-owned subsidiary of OCT Ltd., and hence, OCT International Media is a connected person of the Company. Therefore, the arrangement of the said Theme Show Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

8. On 28 December 2016, Chengdu OCT entered into the Konka Framework Agreement with Konka Group Chengdu Branch for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Konka Framework Agreement"). Pursuant to the Konka Framework Agreement, Chengdu OCT, its subsidiaries and branches agreed to purchase and Konka Group Chengdu Branch agreed to supply the LED equipment, television and other electronic products and services to Chengdu OCT.

   OCT Group directly owns approximately 21.75% of the total issued share capital of Konka Group, and has gained control over the majority of its board. Hence, Konka Group is a connected person of the Group within the meaning of the Listing Rules. Konka Group Chengdu Branch is a branch office of Konka Group. Therefore, the arrangement of the said Konka Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

9. On 28 December 2016, Chengdu OCT Happy Valley Branch entered into an entertainment facilities framework agreement with OCT Culture for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Entertainment Facilities Framework Agreement"). Pursuant to the Entertainment Facilities Framework Agreement, Chengdu OCT Happy Valley Branch agreed to purchase and OCT Culture agreed to supply entertainment facilities and related services to Chengdu OCT Happy Valley Branch.

   OCT Culture is a non wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Group within the meaning of the Listing Rules. Therefore, the arrangement of the said Entertainment Facilities Framework Agreement constitutes a continuing connected transaction under the Listing Rules.

10. On 28 December 2016, Chengdu OCT Happy Valley Branch entered into a cooperation agreement with Chengdu Branch office of OCT Creative Culture Hotel ("OCT Creative Culture Hotel Chengdu Branch") for a term of three years with effect from 1 January 2017 to 31 December 2019, pursuant to which, among others, Chengdu OCT Happy Valley Branch agreed to sell tickets of the Theme Park to OCT Creative Culture Hotel Chengdu Branch at a fixed discounted price per ticket. OCT Creative Culture Hotel Chengdu Branch shall settle the ticket sales on a monthly basis in cash for the actual transaction amount.

    OCT Creative Culture Hotel is an indirect wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. OCT Creative Culture Hotel Chengdu Branch is a branch office of OCT Creative Culture Hotel. Therefore, the arrangement of the said Cooperation Agreement constitutes a continuing connected transaction under the Listing Rules.

11. On 28 December 2016, Chengdu OCT entered into Chengdu Tenancy I with OCT Creative Culture Hotel Chengdu Branch for a term of three years with effect from 1 January 2017 and ending on 31 December 2019, pursuant to which, Chengdu OCT agreed to lease certain properties owned by Chengdu OCT located in Jinniu District, Chengdu, Sichuan Province, the PRC to OCT Creative Culture Hotel Chengdu Branch for the operation of inns.

    OCT City Inn is an indirect wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. OCT City Inn Chengdu Shaxi Line Branch is a branch office of OCT City Inn. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

12. On 28 December 2016, Chengdu OCT entered into Chengdu Tenancy II with Shenzhen OCT Hake Culture Company Limited ("OCT Hake Chengdu Branch") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019, pursuant to which, Chengdu OCT agreed to lease certain properties located in Jinniu District, Chengdu, Sichuan Province, the PRC to OCT Hake Chengdu Branch for the operation of an entertainment centre for children.

    OCT Hake is a wholly-owned subsidiary of OCT Ltd.. Therefore, OCT Hake is a connected person of the Company within the meaning of the Listing Rules. OCT Hake Chengdu Branch is a branch office of OCT Hake. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

13. On 28 December 2016, Chengdu OCT Happy Valley Branch entered into a travel consultation agreement with Shenzhen OCT Tourism Planning Consultancy Company Limited ("OCT Tourism") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Travel Consultation Agreement"), pursuant to which, Chengdu OCT Happy Valley Branch agreed to entrust OCT Tourism to provide planning programme, planning and design, architectural design, landscape design, operational consultation and other services for the development projects. The specific payment arrangement will be specified in the separate service agreement(s) to be entered into between the parties.

    OCT Tourism is a wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said Travel Consultation Agreement constitutes a continuing connected transaction under the Listing Rules.

14. On 28 December 2016, Xi'an OCT Land entered into the Xi'an Tenancy I with Overseas Chinese Town (Xi'an) Industry Company Limited ("OCT Xi'an Industry") for a term of three years with effect from 1 January 2017 and ending on 31 December 2019 ("Xi'an Tenancy I"), pursuant to which, Xi'an OCT Land agreed to lease a property located in Nanguanzheng Street, Xi'an, the PRC to OCT Xi'an Industry as office premises.

    OCT Xi'an Industry is an indirect non wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

Directors' Report

15. On 15 August 2017, Xi'an OCT Land entered into the Xi'an Tenancy II with OCT Xi'an Industry for a term fourteen months with effect from 1 September 2017 and ending on 31 October 2018 ("Xi'an Tenancy II"), pursuant to which, Xi'an OCT Land agreed to lease a property located at Nanguanzheng Street, Xi'an, the PRC to OCT Xi'an Industry as office premises.

    OCT Xi'an Industry is an indirect non wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said tenancy agreement constitutes a continuing connected transaction under the Listing Rules.

16. On 29 September 2017, OCT Entertainment entered into a new tenancy agreement with Shenzhen Huali for a term of three years with effect from 1 October 2017 and ending on 30 September 2020 ("New Tenancy Agreement"), pursuant to which, OCT Entertainment agreed to continue to lease certain properties located in Nanshan district, Shenzhen, Guangdong Province, the PRC to Shenzhen Huali as office premises.

    OCT Entertainment is a branch office of OCT Real Estate. OCT Real Estate is a wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangement of the said Tenancy Agreement constitutes a continuing connected transaction under the Listing Rules.

    Details of item 1 of the Connected Transactions are set out in the announcement of the Company dated 9 July 2014. Details of items 2 to 14 of the Connected Transactions are set out in the announcement of the Company dated 28 December 2016. Details of item 15 of the Connected Transactions are set out in the announcement of the Company dated 15 August 2017. Details of item 16 of the Connected Transactions are set out in the announcement of the Company dated 29 September 2017.

Directors' Report

The transaction amount and cap amount of the Connected Transactions for the year ended 31 December 2017 are as follows:

	Particulars of the continuing connected transactions	Transaction amount for the year ended 31 December 2017 RMB'000 (approx.)	Cap amount for the year ended 31 December 2017 RMB'000
1	Tenancy Agreement between Shenzhen Huali and OCT Entertainment with respect to office premises	Annual ancillary miscellaneous charge: 137 Rent: 2,861	Annual ancillary miscellaneous charge: 450 Rent: 3,311
2	Cartons Sale and Purchase Agreement between the Group and OCT Group	62,869	70,000
3	New Property Management Agreement Between OCT Shanghai Land and OCT Property Service Shanghai Branch	8,587	10,900
4	Electrical and Mechanical Services Consultation Agreement between OCT Shanghai Land and OCT Electricity	700	1,000
5	Property Management Framework Agreement between Chengdu OCT and OCT Property Service Chengdu Branch	13,041	18,000
6	Electricity Consultation Services Agreement between Chengdu OCT and OCT Electricity Chengdu Branch	5,240	12,000
7	Theme Show Framework Agreement between Chengdu OCT and OCT International Media	–	5,000
8	Konka Framework Agreement between Chengdu OCT and Konka Group Chengdu Branch	440	440
9	Entertainment Facilities Framework Agreement between Chengdu OCT Happy Valley Branch and OCT Culture	–	2,000
10	Cooperation Agreement between Chengdu OCT Happy Valley Branch and OCT Creative Culture Hotel Chengdu Branch	720	2,000
11	Chengdu Tenancy I between Chengdu OCT and OCT Creative Culture Hotel Chengdu Branch	1,350	2,000
12	Chengdu Tenancy II between Chengdu OCT and OCT Hake Chengdu Branch	1,009	1,250
13	Travel Consultation Agreement between Chengdu OCT Happy Valley Branch and OCT Tourism	2,065	5,000
14	Xi'an Tenancy I between Xi'an OCT Land and OCT Xi'an Industry	1,766	1,766
15	Xi'an Tenancy II between Xi'an OCT Land and OCT Xi'an Industry	77	77
16	New Tenancy Agreement between Shenzhen Huali and OCT Entertainment with respect to office premises	Annual ancillary miscellaneous charge: 33 Rent: 954	Annual ancillary miscellaneous charge: 196 Rent: 954

The Directors confirm that for the above Connected Transactions, the Company has complied with the disclosure, reporting and/or shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' Report

The independent non-executive Directors have reviewed the above Connected Transactions and confirmed that the above Connected Transactions are:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms, or if there are insufficient comparable transactions to judge whether the terms of those transactions are on normal commercial terms, as far as the Company is concerned, the terms of the above transactions are not less favourable than those available to or from independent third parties (as the case may be); and

(3) entered into under the terms of the agreements in respect of the relevant transactions and the terms of the transactions are fair and reasonable and in the interest of the shareholders of the Company as a whole.

In addition, the Company's auditors have also confirmed in writing to the Board:

Nothing had come to their attention which caused them to believe that:

- the Connected Transactions had not received the approval of the Board;
- the Connected Transactions had not been entered into, in all material aspects, in accordance with the relevant agreements governing the transactions;
- the Connected Transactions had not been entered into, in all material aspects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group; and
- the transaction amount incurred in 2017 for each of the Connected Transactions had exceeded the aggregate annual value as disclosed in the Company's announcements dated 9 July 2014, 28 December 2016, 15 August 2017 and 29 September 2017.

The related party transactions are set out in note 30 to the consolidated financial statements of the Company. Except for the connected transactions and continuing connected transactions disclosed above, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2017, OCT Group and its associates provided financial support to the Group, and the interest and related expenses payable by the Group to OCT Group and its associates amounted to approximately RMB126.00 million in total. Such financial support constitutes a connected transaction of the Company, but was exempted from complying with the requirements of reporting, announcement and approval from independent shareholders based on the reason that the financial support provided to the Group by OCT Group and its associates and which benefited the Company was made on normal commercial terms (or more favourable than that provided to the listing issuer) to provide loans to the Company and no asset of the Group was pledged as collateral for this financial support.

Directors' Report

Bank Loans and Other Loans

Particulars of bank loans and other loans of the Company and the Group as at 31 December 2017 are set out in note 23 to the consolidated financial statements.

Five-Year Summary

A summary of the results and the assets and liabilities of the Group for the last five years is set out on page 179 to 180 of this annual report.

Retirement Schemes

The Group participates in two defined contribution retirement schemes which cover the Group's full-time employees. Particulars of these retirement schemes are set out in note 24 to the consolidated financial statements.

Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent parties.

Directors' Liability Insurance and Indemnity

The Company has purchased appropriate and sufficient liability insurance to indemnify its Directors and senior management in respect of legal actions against the Directors and senior management.

Auditor

RSM Hong Kong resigned as the auditor of the Company with effect from 22 December 2017.

KPMG has been appointed as the auditor of the Company with effect from 22 December 2017 to fill the casual vacancy following the resignation of RSM Hong Kong and to hold office until the conclusion of the 2017 annual general meeting to be held in 2018.

KPMG will retire and, being eligible, offer itself for reappointment. A resolution for the reappointment of KPMG as the auditor of the Company will be proposed at the forthcoming annual general meeting.

Directors' Report

Public Float

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

Share Option Scheme

Under the ordinary resolution passed at the extraordinary general meeting on 15 February 2011, the Board adopted a new share option scheme (the "New Scheme"). The purpose of the New Scheme is to attract and retain the best available personnel, to provide additional incentive to the employees (full-time and part-time), Directors, consultants and advisers of the Group and to promote the business development of the Group. The New Scheme shall be valid and effective for a period of ten years ending on 14 February 2021, unless terminated earlier by shareholders of the Company at a general meeting.

The participants of the New Scheme include any full-time or part-time employee, Director, advisor and professional consultant of the Group or any member of the Group. The Directors may at their absolute discretion and on such terms as they may think fit, propose any eligible person under the New Scheme to take up options.

An offer for the grant of options must be accepted within 28 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer is HK$1.00.

The subscription price of a share in respect of any particular option granted under the New Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under all new schemes and any other share option scheme of the Company does not exceed 10% of the shares in issue at the date of approval of the New Scheme. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all options granted but yet to be exercised under all new schemes and any other share option scheme of the Company does not exceed 30% of the shares in issue at the time.

The total number of options not yet issued under the New Scheme as at 31 December 2017 was 20,436,000, which represented approximately 3.13% of all the issued share capital of the Company as at 31 December 2017. An option may be exercised in accordance with the terms of the New Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant. The total number of shares issued and may be issued upon exercise of options granted to any grantee (including both exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company then in issue.

Directors' Report

Pursuant to the terms of the New Scheme, the Company granted 30,100,000 options to some eligible participants (including some Directors and employees) at the exercise price of HK$4.04 and the grant price of HK$1 on 3 March 2011. Details of the above share options granted under the New Scheme are set out in the announcement of the Company dated 3 March 2011. As at 2 March 2016, all share options granted under the New Scheme have expired, lapsed and cancelled. As at 31 December 2017, no share options was granted, exercised, lapsed and cancelled under the New Scheme.

Save for the above, at no time during the period prior to the date of this report was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporates.

After the end of the Period under Review, the Directors proposed a final dividend. Further details are disclosed in note 26 to the consolidated financial statements of the Company.

By order of the Board
He Haibin
Chairman

Hong Kong, 24 March 2018

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OVERSEAS CHINESE TOWN (ASIA) HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Overseas Chinese Town (Asia) Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 83 to 178, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the 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 are independent of the Group in accordance with the *HKICPA's Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Independent Auditor's Report

Key audit matters *(continued)*

Recoverability of inventories of comprehensive development business

Refer to note 18 to the consolidated financial statements and the accounting policies in note 1(m).

The key audit matter	How the matter was addressed in our audit
As at 31 December 2017, the aggregate carrying value of the Group's properties held for future development and under development for sale and completed properties held for sale (together "inventories of comprehensive development business") totalled RMB8,204 million. These principally comprise residential and office properties in Shanghai and Chengdu held for sale. Inventories of comprehensive development business are carried at the lower of cost and net realisable value. The calculation of the net realisable value for each property development project at the financial reporting date is performed by management. The calculation of the net realisable value of inventories of comprehensive development business involves significant management judgement and estimation in preparing the updated estimations of the costs to complete each property development project as well as in assessing the expected future net selling prices for each property development project (with reference to recent sales transactions in nearby locations), the estimated future selling costs and the relevant taxes. We identified the assessment of net realisable value of the Group's inventories of comprehensive development business as a key audit matter because of the significance of inventories of comprehensive development business to the assets of the Group and because of the inherent risks involved in estimating the costs to complete each property development project and the future selling prices for each property development project, particularly in light of the current economic circumstances and various property market measures introduced in various cities across Mainland China.	Our audit procedures to assess the net realisable value of inventories of comprehensive development business included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project; • conducting site visits to property development sites, on a sample basis, and discussing with management the progress of each property development project and the development budgets reflected in the latest forecasts for each property development project; • evaluating the valuation methodology adopted by management for assessing the net realisable value of inventories of comprehensive development business and comparing the key estimates and assumptions adopted in the valuations, including those relating to average net selling prices, with market available data and the sales budget plans maintained by the Group; • comparing the estimated construction costs to complete each property development project with the Group's latest budgets and comparing the costs incurred to 31 December 2017 with budgets as at 31 December 2016 to assess the accuracy of management's forecasting and budgeting process; and • performing sensitivity analyses to determine the extent of changes in key estimates and assumptions that, either individually or collectively, would be required for inventories of comprehensive development business to be materially misstated and considering the likelihood of such a movement in those key estimates and assumptions arising and the potential for management bias in their selection.

Independent Auditor's Report

Key audit matters *(continued)*

Provision for land appreciation tax ("LAT") in Mainland China

Refer to notes 6 and 25 to the consolidated financial statements and the accounting judgement and estimates in note 2(e).

The key audit matter

LAT in Mainland China is one of the main components of the Group's taxation charge.

LAT is levied on sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of each financial reporting period, management estimates the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations and the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates.

We identified provision for LAT in Mainland China as a key audit matter because of its significance to the consolidated financial statements and because the estimated provisions for LAT are based on management's judgement and interpretation of the relevant tax laws and regulations and practices.

How the matter was addressed in our audit

Our audit procedures to assess the provision for LAT in Mainland China included the following:

- assessing the design, implementation and operating effectiveness of management's key internal controls over the calculation of the estimated LAT provisions;
- engaging our internal taxation specialists to assist us in evaluating the Group's LAT provisions as at 31 December 2017, which involved challenging the management's assumptions and judgements based on our experience, knowledge and understanding of the practices of the application of the relevant tax laws by the various local tax bureaus;
- evaluating management's assumptions and judgements based on our assessment of the value of the estimated sales of properties and the deductible expenditure;
- obtaining final tax settlement notices in respect of LAT issued by local tax bureaus during the year; and
- re-calculating the provisions for LAT of the Group and comparing our calculations with the amounts recorded by the Group.

Independent Auditor's Report

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, 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.

Independent Auditor's Report

Auditor's responsibility for the audit of the consolidated financial statements *(continued)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

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

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

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

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

Independent Auditor's Report

Auditor's responsibility for the audit of the consolidated financial statements *(continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Chun Pong.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Revenue	3	4,904,794	5,358,174
Cost of sales		(3,236,830)	(3,712,045)
Gross profit		1,667,964	1,646,129
Other income	4(a)	36,508	44,033
Other net gain	4(b)	1,073,201	10,373
Distribution costs		(261,018)	(285,833)
Administrative expenses		(327,761)	(248,930)
Other operating expenses		(3,632)	(103,855)
Profit from operations		2,185,262	1,061,917
Finance costs	5(a)	(190,960)	(254,777)
Share of profits of associates	15	104,060	480,926
Share of loss of a joint venture	16	(8,322)	(5,456)
Profit before taxation	5	2,090,040	1,282,610
Income tax	6	(664,289)	(665,952)
Profit for the year		1,425,751	616,658
Attributable to:			
Equity holders of the Company		1,106,804	385,511
Non-controlling interests		318,947	231,147
Profit for the year		1,425,751	616,658
Earnings per share (RMB)	10		
Basic		1.59	0.57
Diluted		1.41	0.52

The notes on pages 89 to 178 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 26(b)(ii).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Profit for the year		**1,425,751**	616,658
Other comprehensive income for the year (after tax and reclassification adjustments)	9		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences		**406,125**	(300,871)
Share of other comprehensive income of an associate		**(1,900)**	–
Other comprehensive income for the year		**404,225**	(300,871)
Total comprehensive income for the year		**1,829,976**	315,787
Attributable to:			
Equity holders of the Company		**1,511,029**	84,640
Non-controlling interests		**318,947**	231,147
Total comprehensive income for the year		**1,829,976**	315,787

The notes on pages 89 to 178 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2017

(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Investment property	11	2,744,745	2,377,849
Other property, plant and equipment	11	1,232,586	1,227,053
Interests in leasehold land held for own use	11	579,654	617,031
		4,556,985	4,221,933
Intangible assets	12	1,597	2,092
Goodwill	13	570	570
Interests in associates	15	2,638,854	1,634,164
Interests in a joint venture	16	11,222	19,544
Other financial assets	17	599,711	247,320
Deferred tax assets	25(b)	164,096	154,251
		7,973,035	6,279,874
Current assets			
Inventories	18	8,237,853	10,490,803
Trade and other receivables	19	365,154	530,196
Other financial assets	17	–	1,159,700
Cash and cash equivalents	20	6,927,464	2,077,758
		15,530,471	14,258,457
Assets of disposal groups classified as held for sale	21	242,010	–
		15,772,481	14,258,457
Current liabilities			
Trade and other payables	22	3,074,121	4,269,561
Bank and other loans	23	3,989,954	2,559,663
Related party loans	23	1,385,700	1,212,000
Current taxation	25(a)	722,847	421,618
		9,172,622	8,462,842
Liabilities directly associated with assets of disposal groups classified as held for sale	21	43,878	–
		9,216,500	8,462,842
Net current assets		6,555,981	5,795,615
Total assets less current liabilities		14,529,016	12,075,489

Consolidated Statement of Financial Position

At 31 December 2017

(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Bank and other loans	23	1,019,751	1,716,975
Related party loans	23	–	3,380,348
Deferred tax liabilities	25(b)	196,324	211,464
		1,216,075	5,308,787
NET ASSETS		13,312,941	6,766,702
CAPITAL AND RESERVES			
Share capital	26(c)	67,337	67,337
Perpetual capital securities	26(d)	5,293,313	–
Reserves		4,311,677	2,959,611
Total equity attributable to equity holders of the Company		9,672,327	3,026,948
Non-controlling interests		3,640,614	3,739,754
TOTAL EQUITY		13,312,941	6,766,702

Approved and authorised for issue by the board of directors on 24 March 2018.

He Haibin
Director

Xie Mei
Director

The notes on pages 89 to 178 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

(Expressed in Renminbi)

	Attributable to equity holders of the Company											
	Share capital RMB'000 *(Note 26(c))*	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Perpetual capital securities RMB'000 *(Note 26(d))*	PRC statutory reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	67,337	36,884	147,711	53,277	–	322,558	(140,410)	30,123	2,518,375	3,035,855	3,737,070	6,772,925
Changes in equity for 2016:												
Profit for the year	–	–	–	–	–	–	–	–	385,511	385,511	231,147	616,658
Other comprehensive income	–	–	–	–	–	–	(300,871)	–	–	(300,871)	–	(300,871)
Total comprehensive income	–	–	–	–	–	–	(300,871)	–	385,511	84,640	231,147	315,787
Transfer to PRC statutory reserves	–	–	–	–	–	58,657	–	–	(58,657)	–	–	–
Dividends approved in respect of the previous year *(note 26(b)(ii))*	–	–	–	–	–	–	–	–	(93,547)	(93,547)	(228,463)	(322,010)
Balance at 31 December 2016 and 1 January 2017	67,337	36,884	147,711	53,277	–	381,215	(441,281)	30,123	2,751,682	3,026,948	3,739,754	6,766,702
Changes in equity for 2017:												
Profit for the year	-	-	-	-	51,114	-	-	-	1,055,690	1,106,804	318,947	1,425,751
Other comprehensive income	-	-	-	-	-	-	404,225	-	-	404,225	-	404,225
Total comprehensive income	-	-	-	-	51,114	-	404,225	-	1,055,690	1,511,029	318,947	1,829,976
Transfer to PRC statutory reserves	-	-	-	-	-	81,475	-	-	(81,475)	-	-	-
Dividends approved in respect of the previous year *(note 26(b)(ii))*	-	-	-	-	-	-	-	-	(107,849)	(107,849)	(418,087)	(525,936)
Issuance of perpetual capital securities *(note 26(d))*	-	-	-	-	5,242,199	-	-	-	-	5,242,199	-	5,242,199
Disposal of subsidiaries	-	-	-	-	-	(13,473)	-	(4,059)	17,532	-	-	-
Balance at 31 December 2017	67,337	36,884	147,711	53,277	5,293,313	449,217	(37,056)	26,064	3,635,580	9,672,327	3,640,614	13,312,941

The notes on pages 89 to 178 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017

(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	20(b)	2,608,526	5,489,476
Tax paid			
– PRC tax paid		(650,686)	(1,027,603)
Interest paid		(240,532)	(428,763)
Net cash generated from operating activities		1,717,308	4,033,110
INVESTING ACTIVITIES			
Addition to fixed assets and intangible assets		(580,758)	(1,431,123)
Additions of other financial assets		(760,456)	(1,402,700)
Net cash flow from disposal of subsidiaries	31	651,623	–
Acquisition of a joint venture		–	(25,000)
Proceeds from disposal of fixed assets		6,967	679
Dividends received from associates		492,693	25,000
Interest received		32,792	39,204
Redemption of other financial assets		1,165,006	–
Net cash generated from/(used in) investing activities		1,007,867	(2,793,940)
FINANCING ACTIVITIES			
Proceeds from loans	20(c)	3,880,667	3,116,862
Repayment of loans	20(c)	(6,246,307)	(5,035,629)
Issuance of perpetual capital securities		5,242,199	–
Dividend paid to non-controlling interests		(418,087)	(228,463)
Dividend paid to equity shareholders of the Company		(7,621)	(93,547)
Net cash generated from/(used in) financing activities		2,450,851	(2,240,777)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,176,026	(1,001,607)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		2,056,017	3,374,156
CASH AND CASH EQUIVALENTS INCLUDED IN ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	21	(46,792)	–
Effect of foreign exchange rate changes		(286,995)	(316,532)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20(a)	6,898,256	2,056,017

The notes on pages 89 to 178 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale are stated at their fair value as explained in the accounting policies set out below.

Assets of disposal group as held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(z)).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 20(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Certain cashflow statement items are reclassified in order to reflect the respective activities.

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

(d) Subsidiaries and non-controlling interests

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1 (o), (p), (q) or (r) depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(z)).

(e) Associates and joint ventures

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and joint ventures *(continued)*

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(z)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

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

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in equity securities *(continued)*

Investments in securities which do not fall into securities held for trading and held-to-maturity securities are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(l)). Dividend income from equity securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(w)(v) and 1(w)(vi), respectively.

When the investments are derecognised or impaired (see note 1(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Rental income from investment properties is accounted for as described in note 1(w)(iv).

Depreciation is calculated to write off the costs of investment properties, less its estimated residual value of 0% to 5%, using the straight-line method over their estimated useful lives of 18 to 50 year.

(i) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)):

– buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(k)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(y)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Other property, plant and equipment *(continued)*

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

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

	Estimated useful life	Residual value %
Buildings held for own use	20 to 25 years	0% to 5%
Plant and machinery	5 to 10 years	0% to 5%
Motor vehicles	3 to 5 years	0% to 5%
Other property, plant and equipment	3 to 10 years	0% to 5%
Interests in leasehold land held for own use	The shorter of the lease term and 50 years	0%

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

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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

	Estimated useful life	Residual value %
Software	5 to 10 years	0%
Copyright	2 years	0%

Both the period and method of amortisation are reviewed annually.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Intangible assets (other than goodwill) *(continued)*

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as held for development for sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets

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

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

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

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

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(l)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

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

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

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

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

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

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

(ii) Impairment of other assets

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

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(m) Inventories

(i) Comprehensive development business

Inventories of comprehensive development business are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property held for future development and under development for sale

  The cost of properties held for future development and under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(y)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories *(continued)*

(i) Comprehensive development business (continued)

– Completed property held for sale

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

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

(ii) Paper packaging business

Inventories of paper packaging business are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 19(b)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Interest-bearing borrowings

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

(p) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(o) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

(q) Perpetual capital securities

Perpetual capital securities are classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any distributions are discretionary. Distributions on perpetual capital securities classified as equity are recognised as distributions within equity.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

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

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

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(u) Income tax

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Income tax *(continued)*

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Income tax *(continued)*

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

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

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

  – the same taxable entity; or

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

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Financial guarantees issued, provisions and contingent liabilities *(continued)*

(i) Financial guarantees issued (continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(v)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

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

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

(w) Revenue recognition

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

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Revenue recognition *(continued)*

(ii) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under receipts in advance.

(iii) Sale of tickets of theme park

Revenue from the sale of tickets of theme park is recognised when the services are rendered and the tickets proceeds have been received. Revenue from the sale of tickets excludes sale related tax and is after deduction of any discounts.

(iv) Rental income from operating leases

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

(v) Dividends

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

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

(vi) Interest income

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Revenue recognition *(continued)*

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(x) Translation of foreign currencies

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Borrowing costs

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

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

(z) Non-current assets held for sale and discontinued operations

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below:

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(b) Depreciation and impairment loss for fixed assets

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The Group makes impairment provision for fixed assets taking into account the Group's estimates of the recoverable amount from such assets. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates. Uncertainty exists in these estimations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

(c) Provision for completed properties held for sale and properties held for future development and under development for sale

The Group's completed properties held for sale and properties held for future development and under development for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for completed properties held for sale and properties held for future development and under development for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(e) Land Appreciation Tax ("LAT")

As explained in note 6(a), the Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgement is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated as the end of each reporting period. Any increase or decrease in actual outcomes/estimates would affect income statement in the period in which such determination is made.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

(f) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on gross floor area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future periods.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are comprehensive development and paper packaging business.

Revenue represents the sales value of goods or services supplied to customers (net of value-added tax and business tax), including the sales of properties, rental income from investment properties, ticket sales from theme park and sales of paper cartons and products are as follows:

	2017	2016
	RMB'000	RMB'000
Comprehensive development business	**4,109,462**	4,597,075
Paper packaging business	**795,332**	761,099
	4,904,794	5,358,174

The Group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the Group's revenue in 2017.

Further details regarding the Group's principal activities are disclosed in note 3(b).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the most senior executive management of the Group for the purposes of resource allocation and performance assessment, the Group has the following two reportable segments.

- Comprehensive development business: this segment engaged in the development and operation of tourism theme park, developed and sold residential properties, development and management of properties, property investment and education.

- Paper packaging business: this segment engaged in the manufacture and sale of paper cartons and products.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment result is "net profit after taxation". Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Expenses not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs, were allocated to each individual segment in proportion to its revenue.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below.

	Comprehensive development business		Paper packaging business		Total	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Revenue from external customers	**4,109,462**	4,597,075	**795,332**	761,099	**4,904,794**	5,358,174
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**4,109,462**	4,597,075	**795,332**	761,099	**4,904,794**	5,358,174
Reportable segment profit/(loss) for the year	**1,429,563**	630,542	**(3,812)**	(13,884)	**1,425,751**	616,658
Interest income						
– bank deposits	**22,878**	30,136	**9,997**	8,078	**32,875**	38,214
– amount due from an associate	**–**	990	**–**	–	**–**	990
Interest expense	**(187,942)**	(250,962)	**(3,018)**	(3,815)	**(190,960)**	(254,777)
Depreciation and amortisation for the year	**(203,852)**	(180,812)	**(29,112)**	(28,949)	**(232,964)**	(209,761)
Share of profits of associates	**104,060**	480,926	**–**	–	**104,060**	480,926
Share of loss of a joint venture	**(8,322)**	(5,456)	**–**	–	**(8,322)**	(5,456)
Reportable segment assets	**17,727,913**	18,786,975	**630,783**	846,465	**18,358,696**	19,633,440
Additions to non-current segment assets during the year	**530,241**	1,409,532	**54,436**	21,591	**584,677**	1,431,123
Reportable segment liabilities	**6,415,544**	7,069,246	**107,350**	101,587	**6,522,894**	7,170,833
Interests in associates	**2,638,854**	1,634,164	**–**	–	**2,638,854**	1,634,164
Interests in a joint venture	**11,222**	19,544	**–**	–	**11,222**	19,544

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment assets and liabilities

	2017 RMB'000	2016 RMB'000
Assets		
Reportable segment assets	18,358,696	19,633,440
Elimination of inter-segment receivables	(19,599)	(27,505)
	18,339,097	19,605,935
Other financial assets	599,711	247,320
Unallocated head office and corporate assets	4,806,708	685,076
Consolidated total assets	23,745,516	20,538,331

	2017 RMB'000	2016 RMB'000
Liabilities		
Reportable segment liabilities	6,522,894	7,170,833
Elimination of inter-segment payables	(19,599)	(27,505)
	6,503,295	7,143,328
Unallocated head office and corporate liabilities	3,929,280	6,628,301
Consolidated total liabilities	10,432,575	13,771,629

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, other property, plant and equipment, interests in leasehold land held for own use under operating leases, intangible assets, goodwill and interests in associates and joint ventures and other financial assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods and properties sold. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and investment properties, the location of the operation to which they are allocated, in the case of intangible assets and other financial assets, and the location of operations, in the case of interest in associates and joint ventures.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(iii) Geographic information (continued)

	Revenues from external customers		Specified non-current assets	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mainland China	**4,902,198**	5,351,500	**7,586,875**	5,875,547
Hong Kong	**2,596**	6,674	**229,103**	250,076
	4,904,794	5,358,174	**7,815,978**	6,125,623

4 OTHER INCOME AND NET GAINS

(a) Other income

	2017	2016
	RMB'000	RMB'000
Total interest income:		
– Bank deposits	**32,875**	38,214
– Amount due from an associate	**–**	990
Total interest income	**32,875**	39,204
Government grants	**3,504**	2,116
Forfeiture income on deposit on pre-sale of properties	**129**	2,713
	36,508	44,033

(b) Other net gain

	2017	2016
	RMB'000	RMB'000
Gain on disposal of subsidiaries *(note 31)*	**730,930**	–
Gain on previously held interest in a subsidiary upon loss of control *(note 31)*	**416,238**	–
Gain on sale of other financial assets	**986**	–
Net gain/(loss) on sale of property, plant and equipment	**721**	(291)
Net exchange (loss)/gain	**(48,703)**	9,784
Loss on transfer of available-for-sale securities to interest in an associate	**(24,121)**	–
Others	**(2,850)**	880
	1,073,201	10,373

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2017 RMB'000	2016 RMB'000
Interest on bank and other loans	**164,429**	164,530
Interest on related party loans	**125,768**	264,233
Total interest expense	**290,197**	428,763
Less: amount capitalised*	**(99,237)**	(173,986)
	190,960	254,777

* The borrowing costs have been capitalised at a weighted average rate of 3.63% per annum (2016: 3.96%)

(b) Staff costs

	2017 RMB'000	2016 RMB'000
Contributions to defined contribution retirement plan	**16,911**	17,612
Salaries, wages and other benefits	**275,381**	267,330
	292,292	284,942

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

5 PROFIT BEFORE TAXATION *(continued)*

(c) Other items

	2017 RMB'000	2016 RMB'000
Amortisation of intangible assets	**784**	398
Depreciation *(note 11(a))*		
– investment property	**79,201**	61,202
– interests in leasehold land held for own use	**20,308**	20,365
– other assets	**132,671**	127,796
	232,180	209,363
Impairment losses		
– trade and other receivables	**3,807**	344
– plant and machinery *(note 11(a))*	**379**	–
– goodwill *(note 13)*	**–**	103,170
	4,186	103,514
Reversal of allowance for trade and other receivables	**(554)**	(1,955)
Operating lease charges in respect of properties	**19,941**	30,874
Auditors' remuneration		
– audit services	**1,859**	1,357
– other services	**442**	624
	2,301	1,981
Rentals receivable from investment properties less direct outgoings of RMB12,215,000 (2016: RMB8,190,000)	**(103,729)**	(93,656)
Cost of inventories# *(note 18(c))*	**3,099,074**	3,707,817

\# Cost of inventories includes RMB228,489,000 (2016: RMB243,450,000) relating to staff costs, depreciation and amortisation expenses, and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2017 RMB'000	2016 RMB'000
Current tax		
Corporate income tax("CIT") provision for the year	**382,448**	243,346
Under/(over)-provision in respect of prior years	**59,243**	(6,330)
	441,691	237,016
PRC LAT	**293,617**	445,724
	735,308	682,740
Deferred tax		
Origination and reversal of temporary differences	**(71,019)**	(16,788)
	664,289	665,952

(i) CIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the year (2016: Nil).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2017. No provision for Hong Kong Profits Tax has been made in the financial statements since the Group has sufficient tax losses brought forward to set off against the assessable profit of the year ended 31 December 2016.

Pursuant to the income tax rules and regulations of the PRC, taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC at 25% (2016: 25%).

Additionally, a 10% withholding tax is levied for income derived from or accruing in PRC. However, as for the dividend income, due to the tax treaty between Hong Kong Special Administrative Region and PRC for avoidance of double taxation and prevention of tax evasion, dividends declared from PRC subsidiaries, associates and the joint venture to Hong Kong holding companies of the Group are subject to 5% withholding income tax since 1 January 2008 and onwards.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(a) Taxation in the consolidated statement of profit or loss represents: *(continued)*

(ii) PRC LAT

PRC LAT 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 lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of profit or loss as income tax. The Group has estimated the tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated.

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

	2017 RMB'000	2016 RMB'000
Profit before taxation	**2,090,040**	1,282,610
National tax on profit before taxation, calculated at the PRC CIT rate of 25%	**522,510**	320,653
Tax effect of tax rate difference of overseas companies	**(38,729)**	–
Tax effect of non-deductible expenses	**24,961**	49,442
Tax effect of non-taxable income	**(120,235)**	(52,013)
Tax effect of temporary difference not recognised	**76,124**	19,907
Tax effect of temporary difference not previously recognised	**(79,798)**	–
Under/(over)-provision in respect of prior years	**59,243**	(6,330)
	444,076	331,659
PRC LAT	**293,617**	445,724
Tax effect of PRC LAT	**(73,404)**	(111,431)
Income tax expense	**664,289**	665,952

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

7 DIRECTORS' EMOLUMENTS

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

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2017 Total RMB'000
Chairman					
He Haibin *(note (i))*	–	–	–	–	–
Yao Jun *(note (ii))*	–	–	–	–	–
Executive directors					
Xie Mei	–	651	1,749	142	2,542
Lin Kaihua	–	506	1,280	117	1,903
Non-executive director					
Zhang Jing *(note (iii))*	–	–	–	–	–
Zhou Ping *(note (iv))*	–	–	–	–	–
Independent non-executive directors					
Wong Wai Ling	130	–	–	–	130
Lam Sing Kwong Simon	130	–	–	–	130
Lu Gong	156	–	–	–	156
	416	1,157	3,029	259	4,861

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

7 DIRECTORS' EMOLUMENTS *(continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2016 Total RMB'000
Chairman					
Yao Jun *(note (v))*	–	–	–	–	–
Wang Xiaowen *(note (vi))*	–	–	–	–	–
Executive directors					
Xie Mei	–	454	791	116	1,361
Lin Kaihua	–	284	555	83	922
Non-executive director					
Zhou Ping	–	–	–	–	–
Independent non-executive directors					
Wong Wai Ling	129	–	–	–	129
Lam Sing Kwong Simon	129	–	–	–	129
Lu Gong	154	–	–	–	154
	412	738	1,346	199	2,695

Notes:
- (i) Appointed on 4 May 2017.
- (ii) Resigned on 4 May 2017.
- (iii) Appointed on 30 March 2017.
- (iv) Resigned on 30 March 2017.
- (v) Appointed on 23 May 2016.
- (vi) Resigned on 23 May 2016.

Neither the chairman nor any of the directors waived any emoluments during the year (2016: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals in the Group during the year included 1 (2016: Nil) director whose emolument is reflected in the analysis presented in note 7 to the consolidated financial statements above. The emoluments of all the five highest paid individuals are set out below:

	2017 RMB'000	2016 RMB'000
Salaries and other emoluments	3,279	2,432
Discretionary bonuses	8,009	7,198
Retirement scheme contributions	557	576
	11,845	10,206

The emoluments of the 5 (2016: 5) individuals with the highest emoluments are within the following bands:

	2017 Number of individuals	2016 Number of individuals
HK$2,000,001 – HK$2,500,000 (RMB1,731,801 – RMB2,164,750)	1	3
HK$2,500,001 – HK$3,000,000 (RMB2,164,751 – RMB2,597,700)	3	2
HK$3,000,001 – HK$3,500,000 (RMB2,597,701 – RMB3,030,650)	1	–

No individual receivable any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2016: Nil). No individual waived or agreed to waive any emoluments during the year (2016: Nil).

9 OTHER COMPREHENSIVE INCOME

	2017 RMB'000	2016 RMB'000
Exchange differences		
– on translation of financial statements of overseas subsidiaries	354,242	(300,871)
– reclassified to profit or loss upon disposal of a subsidiaries	51,883	–
	406,125	(300,871)
Share of other comprehensive income of an associate	(1,900)	–
Other comprehensive income	404,225	(300,871)

There is no tax effect for each of the other comprehensive income item.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

	2017 RMB'000	2016 RMB'000
Profit attributable to equity holders of the Company	**1,106,804**	385,511
Less: Profit attributable to the holders of perpetual capital securities *(note 26(d))*	**(51,114)**	–
Profit attributable to the holders of convertible preference shares *(note 26(b))*	**(17,259)**	(16,199)
Profit attributable to ordinary equity shareholders (basic)	**1,038,431**	369,312

(ii) Weighted average number of ordinary shares

	2017 '000	2016 '000
Issued ordinary shares at 1 January and 31 December *(note 26(c))*	**652,366**	652,366

(b) Diluted earnings per share

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

	2017 RMB'000	2016 RMB'000
Profit attributable to ordinary equity shareholders	**1,038,431**	369,312
Preference share dividends saving on conversion of convertible preference shares *(note 26(b))*	**17,259**	16,199
Profit attributable to ordinary equity shareholders (diluted)	**1,055,690**	385,511

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

	2017 '000	2016 '000
Weighted average number of ordinary shares at 31 December	**652,366**	652,366
Effect of dilutive potential ordinary shares arising from convertible preference shares *(note 26(c))*	**96,000**	96,000
Weighted average number of ordinary shares (diluted) at 31 December	**748,366**	748,366

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

(a) Reconciliation of carrying amount

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Other property, plant and equipment RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment property RMB'000	Investment property under development RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Cost:											
At 1 January 2016	1,119,141	771,367	39,206	152,068	25,728	2,107,510	887,711	–	887,711	748,366	3,743,587
Exchange adjustments	–	–	–	–	–	–	16,396	–	16,396	–	16,396
Additions	9,577	8,952	3,245	13,557	99,894	135,225	784,437	821,096	1,605,533	–	1,740,758
Disposals	–	(5,186)	(1,742)	(5,237)	–	(12,165)	–	–	–	–	(12,165)
Transfer from construction in progress	4,406	15	–	–	(16,676)	(12,255)	12,255	–	12,255	–	–
Transfer from inventories	–	–	–	–	–	–	34,987	–	34,987	–	34,987
At 31 December 2016 and 1 January 2017	1,133,124	775,148	40,709	160,388	108,946	2,218,315	1,735,786	821,096	2,556,882	748,366	5,523,563
Exchange adjustments	-	-	-	(15)	-	(15)	(16,943)	-	(16,943)	-	(16,958)
Additions	9,257	988	1,594	14,434	248,682	274,955	-	309,799	309,799	-	584,754
Disposals	(22,637)	(91,856)	(7,640)	(13,541)	-	(135,674)	-	-	-	(4,800)	(140,474)
Transfer from construction in progress	71,626	97,005	-	5,914	(174,545)	-	-	-	-	-	-
Transfer to investment property	(27,164)	-	-	-	(82,239)	(109,403)	947,160	(821,094)	126,066	(16,663)	-
Transfer from inventories	8,252	-	-	-	-	8,252	30,547	-	30,547	-	38,799
Transfer to assets and liabilities of disposal groups classified as held for sale	-	(52,426)	(5,662)	(7,556)	-	(65,644)	-	-	-	-	(65,644)
At 31 December 2017	1,172,458	728,859	29,001	159,624	100,844	2,190,786	2,696,550	309,801	3,006,351	726,903	5,924,040

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND *(continued)*

(a) Reconciliation of carrying amount *(continued)*

	Buildings held for own use RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Other property, plant and equipment RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment property RMB'000	Investment property under development RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Accumulated depreciation:											
At 1 January 2016	248,133	486,168	29,298	106,337	–	869,936	117,096	–	117,096	110,970	1,098,002
Exchange adjustments	–	–	–	–	–	–	735	–	735	–	735
Charge for the year	49,236	62,644	3,425	12,491	–	127,796	61,202	–	61,202	20,365	209,363
Written back on disposals	–	(5,119)	(1,682)	(4,394)	–	(11,195)	–	–	–	–	(11,195)
At 31 December 2016 and 1 January 2017	297,369	543,693	31,041	114,434	–	986,537	179,033	–	179,033	131,335	1,296,905
Exchange adjustments	–	–	–	(12)	–	(12)	(729)	–	(729)	–	(741)
Charge for the year	47,452	64,637	3,577	17,005	–	132,671	79,201	–	79,201	20,308	232,180
Written back on disposals	(19,932)	(79,845)	(6,578)	(12,051)	–	(118,406)	–	–	–	(3,144)	(121,550)
Transfer to investment property	(2,851)	–	–	–	–	(2,851)	4,101	–	4,101	(1,250)	–
Transfer to assets and liabilities of disposal groups classified as held for sale	–	(31,134)	(4,537)	(6,054)	–	(41,725)	–	–	–	–	(41,725)
At 31 December 2017	322,038	497,351	23,503	113,322	–	956,214	261,606	–	261,606	147,249	1,365,069
Accumulated impairment losses:											
At 1 January 2016,31 December 2016 and 1 January 2017	–	4,557	–	168	–	4,725	–	–	–	–	4,725
Additions	–	379	–	–	–	379	–	–	–	–	379
Written back on disposals	–	(2,571)	–	(168)	–	(2,739)	–	–	–	–	(2,739)
Transfer to assets and liabilities of disposal groups classified as held for sale	–	(379)	–	–	–	(379)	–	–	–	–	(379)
At 31 December 2017	–	1,986	–	–	–	1,986	–	–	–	–	1,986
Carrying amount:											
At 31 December 2017	850,420	229,522	5,498	46,302	100,844	1,232,586	2,434,944	309,801	2,744,745	579,654	4,556,985
At 31 December 2016	835,755	226,898	9,668	45,786	108,946	1,227,053	1,556,753	821,096	2,377,849	617,031	4,221,933

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

11 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND *(continued)*

(a) Reconciliation of carrying amount *(continued)*

According to the Stated-owned Land Use Rights Grant Contract, leasehold land with carrying amount of RMB525,783,000(2016: RMB544,124,000) located in the PRC of 成都天府華僑城實業有限公司 (Chengdu Tianfu OCT Industry Development Company Limited) ("Chengdu OCT") as at 31 December 2017 is non-transferable.

(b) Investment property

The Group leases out investment property. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. In respect of most of the leasee entered or would enter into a new lease for the same or an equivalent asset with the Group, the management of Group are of the opinion that operating lease contracts under investment properties, except those investment properties situated in Hong Kong and Xi'an, are cancellable, and no future minimum lease payments under non-cancellable operating leases were disclosed for these investment properties.

At 31 December 2017, the carrying amount of investment properties pledged as security for the Group's bank loan amounted to approximately RMB229,103,000 (2016: RMB250,076,000).

(c) The analysis of carrying amount of properties is as follows:

	2017 RMB'000	2016 RMB'000
In Hong Kong		
– medium-term leases	229,103	250,076
In the PRC		
– medium-term leases	3,945,716	3,580,559
	4,174,819	3,830,635
Representing:		
Buildings held for own use	850,420	835,755
Investment property	2,434,944	1,556,753
Investment property under development	309,801	821,096
Interests in leasehold land held for own use	579,654	617,031
	4,174,819	3,830,635

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

12 INTANGIBLE ASSETS

	Software and copyright RMB'000
Cost:	
At 1 January 2016	2,992
Additions	365
At 31 December 2016 and 1 January 2017	3,357
Additions	594
Disposals	(241)
Transfer to assets and liabilities of disposal groups classified as held for sale	(560)
At 31 December 2017	3,150
Accumulated amortisation:	
At 1 January 2016	867
Charge for the year	398
At 31 December 2016 and 1 January 2017	1,265
Charge for the year	784
Written back on disposals	(241)
Transfer to assets and liabilities of disposal groups classified as held for sale	(255)
At 31 December 2017	1,553
Carrying amount:	
At 31 December 2017	1,597
At 31 December 2016	2,092

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

13 GOODWILL

	RMB'000
Cost:	
At 1 January 2016 and 31 December 2016	267,195
Disposal of subsidiary	(1,012)
At 31 December 2017	266,183
Accumulated impairment losses:	
At 1 January 2016	163,455
Impairment losses recognised for the year	103,170
At 31 December 2016 and 1 January 2017	266,625
Written back on disposal of subsidiary	(1,012)
At 31 December 2017	265,613
Carrying amount:	
At 31 December 2017	570
At 31 December 2016	570

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of incorporation and business	Particulars of registered capital/ issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
深圳華力包裝貿易有限公司 (Shenzhen Huali Packing & Trading. Co., Ltd.) *(notes (i)&(ii))*	PRC	Paid-up capital of HK$180,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
中山華力包裝有限公司 (Zhongshan Huali Packaging Co., Ltd.) *(notes (i)&(ii))*	PRC	Paid-up capital of HK$88,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
中山華勵包裝有限公司 (Zhongshan Huali Packing Co., Ltd.) *(notes (i)&(ii))*	PRC	Paid-up capital of RMB1,160,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
安徽華力包裝有限公司 (Anhui Huali Packaging Co., Ltd.) *(notes (i)&(ii))*	PRC	Paid-up capital of HK$40,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
深圳華友投資有限公司 (Shenzhen Huayou Investment Co., Ltd.) ("Huayou Investment") *(notes (ii)&(iv))*	PRC	Paid-up capital of RMB3,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
惠州華力包裝有限公司 (Huizhou Huali Packaging Co., Ltd.) *(notes (i)&(ii))*	PRC	Paid-up capital of HK$168,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
華勵包裝(惠州)有限公司 (Huali Packaging (Huizhou) Co., Ltd.) *(notes (i)&(ii))*	PRC	Paid-up capital of HK$68,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
Max Surplus Limited	British Virgin Islands ("BVI")	1 share of US$1 each	100%	100%	–	Investment holding
Forever Galaxies Limited	BVI	1 share of US$1 each	100%	100%	–	Investment holding
Fortune Crown International Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding
Miracle Stone Development Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES *(continued)*

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

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered capital/ issued and paid up capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Grand Signal Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding
Huali Holdings Company Limited	Hong Kong	1,000,000 shares	100%	–	100%	Trading and property investment
OCT Investments Limited	BVI	100 shares of US$1 each	100%	100%	–	Investment holding
Power Shiny Development Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Bantix International Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Wantex Investment Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Barwin Development Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Excel Founder Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Hanmax Investment Limited	Hong Kong	100 share	100%	–	100%	Investment holding
Great Tec Investment Limited	Hong Kong	1 share	100%	–	100%	Investment holding
Verdant Forever Limited	BVI	1 share of US$1 each	100%	100%	–	Investment holding
Regal China Enterprises Limited	Hong Kong	1 share	100%	–	100%	Investment holding
華秦發展有限公司 Phoenix Ocean Developments Limited	BVI	1 share of US$1 each	100%	100%	–	Investment holding
華昌國際有限公司 City Legend International Limited	Hong Kong	1 share	100%	–	100%	Investment holding
成都天府華僑城萬匯商城管理有限公司 (Chengdu Tianfu OCT Wanhui Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES *(continued)*

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

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of registered capital/ issued and paid up capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
成都天府華僑城公園廣場管理有限公司 (Chengdu Tianfu OCT Park Plaza Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
成都天府華僑城創展商業區管理有限公司 (Chengdu Tianfu OCT Chuangzhan Business District Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
成都天府華僑城商業廣場管理有限公司 (Chengdu Tianfu OCT Commercial Plaza Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
成都天府華僑城大劇院管理有限公司 (Chengdu Tianfu OCT Theater Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Venue rental, management of entertainment project
成都天府華僑城湖濱商業管理有限公司 (Chengdu Tianfu OCT Lakeside Business Management Co. Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
成都天府華僑城純水岸商業管理有限公司 (Chengdu Tianfu OCT Riverside Business Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
成都天府華僑城都市娛樂有限公司 (Chengdu Tianfu OCT Urban Entertainment Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
成都天府華僑城酒店管理有限公司 (Chengdu Tianfu OCT Hotel Management Co., Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Hotel management of entertainment project
Chengdu OCT *(note (iv))*	PRC	Paid-up capital of RMB1,500,000,000	51%	–	51%	Tourism and real estate development
成都華僑城創盈企業管理有限公司 (Chengdu OCT Chuang Ying Enterprise Management Company Limited) ("Chengdu Chuang Ying") *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES *(continued)*

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

Name of company	Place of incorporation and business	Particulars of registered capital/ issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by a subsidiary	Principal activities
成都市華鑫環城實業有限公司 (Chengdu Shi Huaxin Huan Cheng Enterprises Co. Ltd.) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	40.80%	–	51%	Project investment
OCT Shanghai Land *(note (iv))*	PRC	Paid-up capital of RMB3,030,000,000	50.5%	–	50.5%	Real estate development
深圳市華京投資有限公司 Project investment (Shenzhen Huajing Investment Limited)*(notes (ii)&(iii))*	PRC	Paid-up capital of RMB1,000,000	100%	–	100%	Investment holding and real estate development
深圳市華僑城華鑫股權投資管理有限公司 (Shenzhen OCT Huaxin Equity Investment Management Limited) *(notes (ii)&(iii))*	PRC	Paid-up capital of RMB10,000,000	100%	–	100%	Investment management
蘇州華力環保包裝科技有限公司 (Suzhou Huali Environmental Packaging Technology Co., Ltd.) *(notes (i)&(ii))*	PRC	Paid-up capital of US$27,800,000	100%	–	100%	Manufacture and sale of paper boxes and products
西安華僑城置地有限公司 (Xi'an OCT Real Estate Limited) ("Xi'an OCT Land") *(notes (i)&(ii))*	PRC	Paid-up capital of US$270,000,000	100%	–	100%	Property investment
華僑城融資租賃有限公司 (OCT Financial Leasing Co., Ltd.) *(notes (i)&(ii))*	PRC	Registered capital of US$200,000,000	100%	–	100%	Financial lease
華僑城（常熟）投資發展有限公司 (OCT (Changshu) Investment and Development Co., Ltd.) *(notes (ii)&(iii))*	PRC	Registered capital of RMB1,000,000,000	60%	–	60%	Tourism and real estate development

Notes:

(i) These companies are wholly foreign-owned enterprises established in the PRC.

(ii) The English translation of the above subsidiaries' names is for reference only. The official name of these companies is in Chinese.

(iii) These companies are limited companies established in the PRC.

(iv) The company is a sino-foreign joint venture with limited liability established in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following table lists out the information on the subsidiaries that have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

Name	Chengdu OCT		OCT Shanghai Land	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Principal place of business	PRC		PRC	
NCI percentage	49%	49%	49.5%	49.5%
Current assets	1,593,019	1,835,536	7,833,726	8,936,575
Non-current assets	3,669,818	3,302,854	62,776	27,104
Current liabilities	(2,254,022)	(1,580,602)	(2,967,777)	(2,079,815)
Non-current liabilities	(560,000)	(800,000)	–	(2,060,700)
NCI of subsidiaries	(1,913)	(1,906)	–	–
Net assets attributable to equity holders	2,446,902	2,755,882	4,928,725	4,823,164
Carrying amount of NCI	1,200,895	1,352,288	2,439,719	2,387,466
Revenue	1,397,369	1,122,444	2,645,294	3,517,371
Profit for the year attributable to				
– Equity holders	95,167	98,537	550,118	369,364
– NCI of subsidiaries	7	29	–	–
	95,174	98,566	550,118	369,364
Total comprehensive income	95,174	98,566	550,118	369,364
Profit allocated to NCI	46,639	48,312	272,308	182,835
Dividend paid to NCI	198,032	–	220,055	228,463
Cash flows from operating activities	233,115	966,112	728,873	3,136,775
Cash flows from investing activities	(261,656)	(178,264)	(150)	(334)
Cash flows from financing activities	(287,812)	(420,797)	(711,913)	(3,595,941)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

15 INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Listed investments:		
– Share of net assets	250,025	–
– Goodwill	135,688	–
	385,713	–
Unlisted investments:		
– Share of net assets	1,601,644	1,623,784
– Goodwill	10,380	10,380
	1,612,024	1,634,164
Amounts due from an associate *(note)*	641,117	–
	2,638,854	1,634,164

Note: Except for amounts of RMB516,025,000 (2016: Nil) which are interest bearing at 2.5% to 3% per annum, the amounts due from an associate are interest free. All the amounts due from an associate are unsecured, have no fixed term of repayment and are not expected to be settled within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

15 INTERESTS IN ASSOCIATES *(continued)*

Details of the Group's individually material associates at 31 December 2017 are as follows:

			Proportion of ownership interest			
Name of associate	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
西安華僑城實業有限公司(Xi'an OCT Investment Ltd.) ("Xi'an OCT"))	PRC	RMB200,000,000	25%	–	25%	Property investment and property development for sale or lease
北京廣盈房地產開發有限公司(Beijing Guangying Residential Property Development Limited) ("Beijing Guangying")	PRC	RMB15,151,600	33%	–	33%	Property management, interior design and construction, property development, leasing of commercial premises and project investment
成都文化旅遊發展股份有限公司(Chengdu Culture & Tourism Development Company Limited) ("CDCT Development")	PRC	RMB75,000,000	17%	–	33.33%	Tourism
成都體育產業有限責任公司(Chengdu Sports Industry Co, Ltd) ("CSI Company")	PRC	RMB75,000,000	25%	–	49%	Stadium operation and management
Capital Converge Holdings Limited ("Capital Converge") *(note (i))*	BVI	100 shares of US$1 each	49%	49%	–	Investment holding
民生教育集團有限公司(Minsheng Education Group Company Limited) ("Minsheng Education") *(note (ii))*	Cayman Islands	4,017,720,000 shares of US$0.00001 each	8.2634%	–	8.2634%	Education services

Notes: (i) During the year ended 31 December 2017, the Group transferred 51% equity interest in Capital Converge to 新華基金(New China OCT Fund SPC) (on behalf of 新華一號基金(New China OCT Fund SPC1 Segregated Portfolio)). Thereafter, Capital Converge together with its subsidiaries Honour Ray and Chongqing OCT became associate of the Group to the consolidated financial statements.

(ii) The Group acquired 332,000,000 shares of Minsheng Education on 21 March 2017 which represented 8.26% of equity interest. Subsequent to appointment of a representative on the Board of Directors in Minsheng Education, the Group can exercise significant influence on Minsheng Education. Accordingly, the investment in Minsheng Education was transferred from available-for-sale securities to interests in associate of the Group and a loss of RMB24,121,000, representing the difference between the cost and fair value of interest in Minsheng Education upon the time of the transfer, was recognised in profit or loss during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

15 INTERESTS IN ASSOCIATES *(continued)*

The following table lists out information on the associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

Name	Xi'an OCT		Beijing Guangying		CDCT Development		CSI Company		Capital Converge	Minsheng Education
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000
Principal place of business	PRC		PRC		PRC		PRC		PRC	PRC
Principal activities	Property investment and property development for sale or lease		Property management, interior design and construction, property development, leasing of commercial premises and project investment		Tourism		Stadium operation and management		Investment holding	Education services
Group's effective interest	25%	25%	33%	33%	33.33%	33.33%	49%	49%	49%	8.2634%
At 31 December:										
Current assets	557,953	692,682	986,444	3,348,411	124,237	184,884	656,252	789,425	4,302,814	2,459,911
Non-current assets	37,535	15,338	72,591	38,151	685,740	584,671	990,357	858,487	85,233	1,761,936
Current liabilities	(393,847)	(387,730)	(684,269)	(1,864,148)	(48,139)	(23,579)	(2,491)	(4,450)	(2,874,413)	(773,754)
Non-current liabilities	–	–	(550)	(2,434)	(28,217)	(23,697)	(7,986)	(7,986)	(739,324)	(301,406)
NCI	–	–	–	–	6,332	–	–	–	–	(120,998)
Net assets	201,641	320,290	374,216	1,519,980	739,953	722,279	1,636,132	1,635,476	774,310	3,025,689
Group's share of net assets of the associate	50,410	80,072	123,491	501,593	246,626	240,735	801,705	801,384	379,412	250,025
Goodwill	–	–	–	–	10,380	10,380	–	–	–	135,688
Amount due from an associate	–	–	–	–	–	–	–	–	641,117	–
Carrying amount in the consolidated financial statements	50,410	80,072	123,491	501,593	257,006	251,115	801,705	801,384	1,020,529	385,713

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

15 INTERESTS IN ASSOCIATES *(continued)*

Name	Xi'an OCT		Beijing Guangying		CDCT Development		CSI Company		Chongqing OCT	Minsheng Education
								For the period from 14 January 2016 to 31 December	For the period from 29 December 2017 to 31 December	For the period from 28 June 2017 to 31 December
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	223,291	409,063	802,633	5,117,873	165,841	139,237	6,688	21,570	-	223,153
(Loss)/profit for the year	(42,888)	28,099	304,236	1,387,980	17,675	36,986	655	7,226	-	98,884
Other comprehensive income	-	–	-	–	-	–	-	–	-	(23,001)
Total comprehensive income	(42,888)	28,099	304,236	1,387,980	17,675	36,986	655	7,226	-	75,883
Dividend receivable/received from the associate	18,940	14,193	478,500	–	-	25,000	-	–	-	-
Group's share of (loss)/profit	(10,722)	7,025	100,398	458,033	5,891	12,327	321	3,541	-	8,172
Group's share of total comprehensive income	(10,722)	7,025	100,398	458,033	5,891	12,327	321	3,541	-	6,272

16 INTERESTS IN A JOINT VENTURE

	2017	2016
	RMB'000	RMB'000
Unlisted investments:		
– Share of net assets	11,222	19,544

Details of the Group's interests in the joint venture at 31 December 2017 are as follows:

Name of joint venture	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest	Principal activity
成都保鑫泉盛房地產開發有限公司 (Chengdu Baoxin Quansheng Real Estate Development Company Limited)("Chengdu Baoxin Quansheng")	People's Republic of China	Paid-in RMB50,000,000	50%	Property investment and property development for sales or lease

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

16 INTERESTS IN A JOINT VENTURE *(continued)*

The following table lists out information on the joint venture that is material to the Group. The joint venture is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the joint venture.

Name	Chengdu Baoxin Quansheng	
	2017	2016
	RMB'000	RMB'000
Principal place of business	PRC	
Principal activities	Property investment and property development for sale or lease	
Group's effective interest	**50%**	50%
Current assets	**1,577,836**	1,035,355
Non-current assets	**9,369**	3,662
Current liabilities	**(1,564,761)**	(999,929)
Net assets	**22,444**	39,088
Group's share of net assets of the joint venture	**11,222**	19,544
Carrying amount in the consolidated financial statements	**11,222**	19,544
Revenue	**449**	–
Loss for the year	**(16,643)**	(10,912)
Total comprehensive income	**(16,643)**	(10,912)
Group's share of loss	**(8,322)**	(5,456)

17 OTHER FINANCIAL ASSETS

	2017	2016
	RMB'000	RMB'000
Unlisted equity securities	**599,711**	247,320
Financial products	**–**	1,159,700
	599,711	1,407,020
Analysed as:		
– Current assets	**–**	1,159,700
– Non-current assets	**599,711**	247,320
	599,711	1,407,020

Unlisted equity securities were classified as available-for-sale securities and were stated at cost less impairment as they do not have a quoted market price in active market and their fair value cannot be reliably measured.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2017 RMB'000	2016 RMB'000
Comprehensive development business		
Properties held for future development and under development for sale	4,391,312	5,023,246
Completed properties held for sale	3,808,353	5,394,633
Other inventories	4,489	4,892
	8,204,154	10,422,771
Paper packaging business		
Raw materials	25,614	48,741
Work in progress	4,404	3,492
Finished goods	3,681	15,799
	33,699	68,032
	8,237,853	10,490,803

(b) The analysis of lease terms of inventories under comprehensive development business is as follows:

	2017 RMB'000	2016 RMB'000
In the PRC		
– medium-term leases	7,124,796	7,424,890
– long leases	1,074,869	2,992,989
	8,199,665	10,417,879

(c) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold	3,098,221	3,708,241
Write-down of inventories	1,513	708
Reversal of write-down of inventories	(660)	(1,132)
	3,099,074	3,707,817

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

18 INVENTORIES *(continued)*

(c) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows: *(continued)*

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain goods as a result of a change in consumer preferences.

The amount of land held for future development for sale and properties under development for sale expected to be recovered after more than one year is RMB1,348,343,000 (2016: RMB2,569,113,000). All of the other inventories are expected to be recovered within one year.

As at 31 December 2017, the carrying amount of inventories of comprehensive development business that are under floating charge for banking facilities granted to OCT Shanghai Land amounted to approximately RMB1,287,914,000 (2016: RMB3,322,797,000). According to the floating charge agreement, if the subsidiary does not breach the terms of the agreement, such floating charge arrangement would allow the subsidiary to sell those completed properties held for sale under its normal operating activities at reasonable consideration.

19 TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade debtors and bills receivable		
– Amounts due from fellow subsidiaries	**28,041**	29,366
– Amounts due from third parties	**91,644**	272,464
Less: allowance for doubtful debts *(note 19(b))*	**(8,107)**	(9,142)
	111,578	292,688
Other receivables:		
– Amounts due from associates	**37,015**	18,489
– Amounts due from intermediate parents	**1,167**	1,213
– Amounts due from fellow subsidiaries	**30,104**	2,590
– Amounts due from third parties	**158,103**	195,550
	226,389	217,842
Prepayments	**27,187**	19,666
	365,154	530,196

The amounts due from intermediate parents and fellow subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

Apart from deposits of RMB24,433,000 (2016: RMB34,470,000) which are expected to be recovered after one year, all of the trade and other receivables, net of impairment losses for bad and doubtful debts are expected to be recovered within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

19 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	109,353	290,980
1 to 2 years	1,418	1,123
2 to 3 years	728	585
Over 3 years	79	–
	111,578	292,688

Further details on the Group's credit policy are set out in note 27(a).

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	9,142	10,753
Impairment loss recognised	2,363	344
Impairment loss reversed	(278)	(1,955)
Uncollectible amounts written off	(3,120)	–
At 31 December	8,107	9,142

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

19 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	52,353	118,382
Less than 1 year past due	4,535	2,442
	56,888	120,824

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

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

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2017 RMB'000	2016 RMB'000
Cash at bank and on hand	6,898,256	2,056,017
Cash at bank restricted for secure the issuance of bills payable	29,208	21,741
	6,927,464	2,077,758

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2017 RMB'000	2016 RMB'000
Profit before taxation		**2,090,040**	1,282,610
Adjustments for:			
Depreciation and amortisation	5(c)	**232,964**	209,761
Interest income	4(a)	**(32,875)**	(39,204)
Finance costs	5(a)	**190,960**	254,777
Net (gain)/loss on disposal of property, plant and equipment	4(b)	**(721)**	291
Impairment of goodwill	5(c)	**–**	103,170
Impairment loss on property, plant and equipment	5(c)	**379**	–
Impairment of inventories		**853**	–
Share of profits of associates		**(104,060)**	(480,926)
Share of loss of a joint venture		**8,322**	5,456
Gain on disposal of subsidiaries	4(b)	**(730,930)**	–
Gain on previously held interest in subsidiaries upon loss of control	4(b)	**(416,238)**	–
Loss on transfer of available-for-sale securities to interests in an associate	4(b)	**24,121**	–
Gain on sale of financial assets	4(b)	**(986)**	–
Impairment loss on trade and other receivables	5(c)	**3,807**	344
Reversal of allowance for trade and other receivables	5(c)	**(554)**	(1,955)
Changes in working capital:			
Decrease in inventories		**906,898**	2,831,284
Decrease in trade and other receivables		**461,661**	1,390,375
Decrease in trade and other payables		**(25,115)**	(66,507)
Cash generated from operations		**2,608,526**	5,489,476

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities

	Bank and other loans RMB'000	Related party loans RMB'000	Total RMB'000
At 1 January 2017	4,276,638	4,592,348	8,868,986
Changes from financing cash flows:			
Proceeds from new bank and other loans	3,460,667	–	3,460,667
Repayment of bank and other loans	(2,619,659)	–	(2,619,659)
Proceeds from related party loans	–	420,000	420,000
Repayment of related party loans	–	(3,626,648)	(3,626,648)
Total changes from financing cash flows	841,008	(3,206,648)	(2,365,640)
Exchange adjustments	(107,941)	–	(107,941)
At 31 December 2017	5,009,705	1,385,700	6,395,405

21 ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 28 December 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose part of its subsidiary, Suzhou Huali Environmental Packaging Technology Co., Ltd.'s assets at a consideration of RMB19,000,000. The disposal of assets was completed on 9 January 2018.

On 15 December 2017, the Group placed 85% of its equity interest of Huali Packaging (Huizhou) Co., Ltd. on China Beijing Equity Exchange for sale through an open tender with a floor price of RMB71,809,000.

(a) Assets of disposal groups classified as held for sales:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	23,540	–
Intangible assets	305	–
Deferred tax assets	1,168	–
Inventories	35,810	–
Trade and other receivables	134,395	–
Cash and cash equivalents	46,792	–
	242,010	–

The assets of disposal groups excluded an amount of RMB20,000,000 due from the Group which was eliminated in consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

21 ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE *(continued)*

(b) Liabilities directly associated with assets of disposal groups classified as held for sale:

	2017 RMB'000	2016 RMB'000
Trade and other payables	41,829	–
Current taxation	2,049	–
	43,878	–

The liabilities of disposal groups excluded an amount of RMB121,142,000 due to the Group which was eliminated in consolidation.

22 TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade creditors and bills payable:		
– Amounts due to fellow subsidiaries	21,717	5,382
– Amounts due to third parties	844,580	627,992
	866,297	633,374
Other payables and accruals:		
– Amounts due to associates	632,445	759,169
– Amounts due to a joint venture	125,587	–
– Amounts due to ultimate parent	4	4
– Amounts due to intermediate parents	17	271,967
– Amounts due to fellow subsidiaries	114,988	35,139
– Amounts due to third parties	894,354	1,127,048
	1,767,395	2,193,327
Receipts in advance	371,815	1,423,911
Interest payables:		
– Amounts due to intermediate parents	22,536	3,167
– Amounts due to fellow subsidiaries	30,533	–
– Amounts due to third parties	15,545	15,782
	68,614	18,949
	3,074,121	4,269,561

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

22 TRADE AND OTHER PAYABLES *(continued)*

Chengdu OCT received advances amounting to RMB550,000,000 for construction of infrastructure facilities in previous years. As at 31 December 2017, the balance of the advances received deducting the carrying amount of the related infrastructure facilities was RMB152,644,000 (2016: RMB167,818,000), which was included in other payables.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	725,179	562,882
1 to 2 years	109,301	28,382
2 to 3 years	12,211	33,871
Over 3 years	19,606	8,239
	866,297	633,374

23 LOANS

(a) At 31 December 2017, the loans are repayable as follows:

	2017 RMB'000	2016 RMB'000
(i) Bank and other loans		
Within 1 year or on demand	3,989,954	2,559,663
After 1 year but within 2 years	579,751	577,642
After 2 year but within 5 years	440,000	915,454
After 5 years	–	223,879
	1,019,751	1,716,975
	5,009,705	4,276,638
(ii) Related party loans		
Within 1 year or on demand	1,385,700	1,212,000
After 1 year but within 2 years	–	1,770,248
After 2 year but within 5 years	–	1,610,100
	–	3,380,348
	1,385,700	4,592,348
	6,395,405	8,868,986

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

23 LOANS *(continued)*

(a) At 31 December 2017, the loans are repayable as follows: *(continued)*

The average interest rates at 31 December were as follow:

	2017	2016
Bank loans	1 month HIBOR + 0.55% to 4.275%	1 month HIBOR + 0.55% to 4.75%
Other loans	6.38%	6.38%
Related party loans	4.75%	Nil to 4.75%

(b) Details of the loans are analysed as follows:

	2017 RMB'000	2016 RMB'000
Current		
Secured		
– Bank and other loans	947,242	1,002,727
Unsecured		
– Bank and other loans	3,042,712	1,556,936
– Related party loans	1,385,700	1,212,000
	4,428,412	2,768,936
	5,375,654	3,771,663
Non-current		
Secured		
– Bank and other loans	643,591	1,314,450
Unsecured		
– Bank and other loans	376,160	402,525
– Related party loans	–	3,380,348
	376,160	3,782,873
	1,019,751	5,097,323
	6,395,405	8,868,986

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

23 LOANS *(continued)*

(c) The secured loans are secured by the following assets:

	2017 RMB'000	2016 RMB'000
Inventories	**1,287,751**	3,322,797
Investment properties	**229,103**	250,076
	1,516,854	3,572,873

(d) Details of loans from related parties are as follows:

	2017 RMB'000	2016 RMB'000
Current		
– Loans from intermediate parents	**–**	1,212,000
– Loan from a fellow subsidiary	**1,385,700**	–
	1,385,700	1,212,000
Non-current		
– Loans from intermediate parents	**–**	2,114,648
– Loan from a fellow subsidiary	**–**	1,265,700
	–	3,380,348
	1,385,700	4,592,348

24 EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Shenzhen, Zhongshan, Huizhou, Shanghai, Chongqing, Anhui, Xi'an and Chengdu where the Group is required to make contributions to the Schemes at a rate ranging from 12% to 22% (2016: 11% to 22%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly amount of HK$1,500. Contributions to the plan vest immediately.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2017 RMB'000	2016 RMB'000
CIT	240,621	130,270
PRC LAT	482,226	291,348
	722,847	421,618

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accounting depreciations in excess of depreciation allowances RMB'000	Provision RMB'000	Accrued expenses RMB'000	Unrealised profit RMB'000	Tax losses RMB'000	Receipts in advance of pre-sale of properties RMB'000	Undistributed profits of subsidiaries and associates RMB'000	Fair value adjustment from business combinations RMB'000	Temporary differences on prepaid LAT RMB'000	Total RMB'000
Deferred tax arising from:										
At 1 January 2016	2,233	5,590	110,618	39,626	2,440	440	(23,625)	(211,323)	–	(74,001)
(Credited)/charged to profit or loss	(182)	570	(31,765)	(15,215)	2,393	37,503	–	23,484	–	16,788
At 31 December 2016	2,051	6,160	78,853	24,411	4,833	37,943	(23,625)	(187,839)	–	(57,213)
At 1 January 2017	2,051	6,160	78,853	24,411	4,833	37,943	(23,625)	(187,839)	-	(57,213)
Charged/(credited) to profit or loss	32,538	3,313	16,086	(7,072)	(4,833)	22,395	-	15,140	(6,548)	71,019
Disposals of subsidiaries *(note 31)*	-	(3,007)	-	-	-	(48,407)	-	-	6,548	(44,866)
Transfer to assets directly associated with assets and liabilities of disposal groups classified as held for sale *(note 21(a))*	-	(1,168)	-	-	-	-	-	-	-	(1,168)
At 31 December 2017	34,589	5,298	94,939	17,339	-	11,931	(23,625)	(172,699)	-	(32,228)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised: *(continued)*

(ii) Reconciliation to the consolidated statement of financial position

	2017 RMB'000	2016 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	164,096	154,251
Net deferred tax liability recognised in the consolidated statement of financial position	(196,324)	(211,464)
	(32,228)	(57,213)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(u) to the consolidated financial statements, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB82,837,000 (2016: RMB8,246,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. These tax losses could be carried forward for a maximum of five years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company	Note	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Perpetual capital securities RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2016		67,337	36,884	248,970	32,449	–	2,115,858	2,501,498
Changes in equity for 2016:								
Total comprehensive income for the year		–	–	–	–	–	175,935	175,935
Dividends approved in respect of the previous year	26(b)(ii)	–	–	–	–	–	(93,547)	(93,547)
Balance at 31 December 2016 and 1 January 2017	32	67,337	36,884	248,970	32,449	–	2,198,246	2,583,886
Changes in equity for 2017:								
Total comprehensive income for the year		–	–	–	–	51,114	312,909	364,023
Dividends approved in respect of the previous year	26(b)(ii)	–	–	–	–	–	(107,849)	(107,849)
Issuance of perpetual capital securities	26(d)	–	–	–	–	5,242,199	–	5,242,199
Balance at 31 December 2017	32	67,337	36,884	248,970	32,449	5,293,313	2,403,306	8,082,259

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

26 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2017 RMB'000	2016 RMB'000
Final dividend proposed after the end of the reporting period of HK48.00 cents per ordinary share (equivalent to RMB40.12 cents per ordinary share) (2016: HK16.00 cents per ordinary share (equivalent to RMB14.31 cents per ordinary share))	261,729	93,354
Final dividend proposed after the end of the reporting period of HK20.25 cents per convertible preference share (equivalent to RMB16.93 cents per convertible preference share) (2016: HK20.25 cents per convertible preference share (equivalent to RMB18.11 cents per convertible preference share))	16,253	17,386
	277,982	110,740

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017 RMB'000	2016 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK16.00 cents per ordinary share (equivalent to RMB13.89 cents per ordinary share) (2016: HK14.00 cents per ordinary share (equivalent to RMB11.86 cents per ordinary share))	90,590	77,348
Final dividend in respect of the previous financial year, approved and paid during the year, of HK20.25 cents per convertible preference share (equivalent to RMB17.98 cents per convertible preference share) (2016: HK20.25 cents per convertible preference share (equivalent to RMB16.87 cents per convertible preference share))	17,259	16,199
	107,849	93,547

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

26 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital

Authorised and issued share capital

Authorised:

	2017			2016		
	Convertible preference shares of HK$0.1 each No. of shares '000 *(Note)*	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000	Convertible preference shares of HK$0.1 each No. of shares '000 *(Note)*	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000
At 1 January and 31 December	96,000	2,000,000	209,600	96,000	2,000,000	209,600

Issued and fully paid:

	2017			2016		
	Convertible preference shares of HK$0.1 each No. of shares '000 *(Note)*	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000	Convertible preference shares of HK$0.1 each No. of shares '000 *(Note)*	Ordinary shares of HK$0.1 each No. of shares '000	Share capital HK$'000
At 1 January and 31 December	96,000	652,366	67,337	96,000	652,366	67,337

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

26 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital *(continued)*

Note:

Convertible preference shares of HK$0.1 each ("CPS") are non-voting shares and shall not carry any right of preference save as set out herein the Articles of Association of the Company.

According to the terms of the CPS, the CPS shall be non-redeemable, each CPS holder is entitled to a preferential dividend at a rate of 5 per cent per annum on HK$4.05, being the price at which each CPS would be initially issued ("the Preferential Dividend") pari passu with other shares ranking pari passu as regards income with the CPS but otherwise in priority to any other class of shares in the capital of the Company from time to time in issue (including the ordinary shares of the Company). The board of directors of the Company may, in its sole discretion, elect not to pay any Preferential Dividend in any given year. In the event that the Company elects not to pay the Preferential Dividend in any given year, the Preferential Dividend not paid shall be extinguished and not be carried forward. The CPS shall not entitle the shareholders of the CPS thereof to any further or other right of participation in the profits of the Company.

During the period of existence of the CPS, subject to some conversion restriction, each holder of the CPS shall have the right to convert all or part of any CPSs into new ordinary shares at any time at the initial conversion price of HK$4.05 per CPS.

(d) Perpetual capital securities

On 28 September 2017, the Company issued senior guaranteed perpetual capital securities with an principal amount of US$800,000,000 (equivalent to approximately RMB5,242,199,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.3% per annum from and including 10 April 2018, payable semi-annually on 10 April and 10 October of each year. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole but not in part.

In the opinion of the management, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

26 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Nature and purpose of reserves

(i) Share premium and contributed surplus

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the contributed surplus account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The excess of the issued price net of any issuance expenses over the par value of the shares issued has been credited to the share premium account of the Company.

(ii) Capital reserve

Capital reserve comprises the following:

– difference between the total amount of registered capital and the amount of contributions from the owners of a subsidiary; and

– the portion of the grant date fair value of unexercised share options granted to employees, directors and consultants of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(t)(ii) to the consolidated financial statements.

(iii) PRC statutory reserve

Transfers from retained earnings to PRC statutory reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

The subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to PRC statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to the owners.

PRC statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid up capital provided that the balance of PRC statutory reserve after such conversion is not less than 25% of the registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(x) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

26 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Nature and purpose of reserves *(continued)*

(v) Other reserve

Other reserve mainly includes merger reserve and enterprise expansion fund.

Merger reserve arose from the differences between the consideration paid and the carrying amount arising on the original acquisition of the subsidiaries as recorded in the controlling party's financial statements in the consolidated financial statements.

The subsidiaries in the PRC are required to transfer a certain percentage of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the enterprise expansion fund. The percentage of this appropriation is decided by the directors of the subsidiaries.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the gearing ratio, which is defined as total borrowings including bills payable and loans divided by total assets.

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain the gearing ratio at a level of industry average. In order to maintain or adjust the ratio, the Group may issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

26 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(f) Capital management *(continued)*

The Group's gearing ratio at 31 December 2017 and 2016 was as follows:

	Note	2017 RMB'000	2016 RMB'000
Loans	23	**6,395,405**	8,868,986
Bills payable		**8,440**	5,541
Total debt		**6,403,845**	8,874,527
Total assets		**23,745,516**	20,538,331
Gearing ratio		**27.0%**	43.2%

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

In respect of receivables of mortgage sales, no credit terms will be granted to the purchasers. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 60-120 days from the date of billing. Debtors with balances that are more than 1 month past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

The Group has no concentration of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in note 29, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 29.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.:

	2017 Contractual undiscounted cash outflow						2016 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables (note)	2,838,773	-	-	-	2,838,773	2,838,773	2,644,495	-	-	-	2,644,495	2,644,495
Bank and other loans	4,131,689	697,402	600,968	-	5,430,059	5,009,705	2,602,605	858,479	918,239	264,655	4,643,978	4,276,638
Related party loans	1,451,521	-	-	-	1,451,521	1,385,700	1,359,312	1,875,255	1,647,132	-	4,881,699	4,592,348
Maximum amount guaranteed	8,421,983	697,402	600,968	-	9,720,353	9,234,178	6,606,412	2,733,734	2,565,371	264,655	12,170,172	11,513,481

Note: The amount exclude receipts in advance from property sale.

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalent, pledged and restricted deposits and bank and other loans at variable rates. Due to the anticipation about the interest rates of cash and cash equivalent and pledged deposits not changing significantly, bank and other loans at variable rates mainly expose the Group to cash flow interest rate risk.

Sensitivity analysis

At 31 December 2017, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB9,812,000 (2016: RMB11,681,000).

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

	Exposure to foreign currencies (expressed in Renminbi)			
	2017		2016	
	Hong Kong Dollars RMB'000	United States Dollars RMB'000	Hong Kong Dollars RMB'000	United States Dollars RMB'000
Cash and cash equivalents	777,616	3,771,301	162,232	48,891
Trade and other receivables	325,093	61,444	11,899	2,080
Trade and other payables	(21,044)	(8)	(277,467)	(13,302)
Loans	(4,089,705)	–	(4,158,496)	(637,790)
Net exposure arising from recognised assets and liabilities	(3,008,040)	3,832,737	(4,261,832)	(600,121)

(ii) Sensitivity analysis

Based on the assumption that Hong Kong dollars continue to be pegged to United States dollars, management estimated that a 5% (2016: 5%) depreciation of United States dollars/ Hong Kong dollars against Renminbi, the Group's profit would be decreased by RMB41,937,000 (2016: increased by RMB140,122,000).

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group's entities' profits after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rates ruling at the end of the reporting periods for presentation purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis (continued)

The sensitivity analysis assumes that the change foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2016.

(e) Fair value measurement

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 31 December 2017 and 2016.

28 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2017 not provided for in the financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	57,975	121,496
Investment property	589,556	–
Inventories	1,265,456	1,231,807
	1,912,987	1,353,303

The capital commitments in 2017 and 2016 mainly represented the commitments in connection with the planned development projects of Chengdu OCT and OCT Shanghai Land.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

28 COMMITMENTS *(continued)*

(b) Lease arrangements

The Group as lessee

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases in respect of land and properties were payable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	35,426	10,481
After 1 year but within 5 years	–	16,134
After 5 years	–	741
	35,426	27,356

The Group leases a number of land and properties under operating leases. The leases run for period from 1 to 8 years and certain leases have an option to renew at which time all the terms are renegotiated. Certain leases are cancellable with minimum payment as set out in the respective lease agreements. None of the leases includes contingent rentals.

The Group as lessor

All of the Group's investment properties are held for rental purposes. All of the properties held have committed tenants for the next 1 to 10 years.

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are receivable for the Group's commercial properties in as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	22,612	54,965
After 1 year but within 5 years	85,529	44,676
After 5 years	52,217	–
	160,358	99,641

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

29 CONTINGENT LIABILITIES

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate; the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

The amount of guarantee deposits required varies among different banks, but usually within a range of 0% to 5% of the mortgage loans granted to buyers, with prescribed capped amount.

The management does not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. No liabilities therefore is recognised in respect of these guarantees.

As at 31 December 2017, guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties amounts to RMB427,788,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group has a related party relationship with the following parties:

Name of party	Relationship with the Group
OCT Group	Ultimate parent
Shenzhen Overseas Chinese Town Co., Ltd.	Intermediate parent
Overseas Chinese Town (HK) Co., Ltd.	Intermediate parent
Konka Group Company Limited, its subsidiaries and associates	Fellow subsidiary
Shenzhen Overseas Chinese Town Water and Electricity Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Property Services Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Creative Culture Hotel Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town International Media and Performance Co., Ltd.	Fellow subsidiary
Overseas Chinese Town Culture Tourism and Technology Co., Ltd.	Fellow subsidiary
Shenzhen OCT Hake Culture Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Entertainment Investment Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Properties Co., Ltd.	Fellow subsidiary

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the financial statements, major related party transactions entered by the Group during the year are as follows:

	2017 RMB'000	2016 RMB'000
Sales of goods	**61,642**	55,608
Purchase of goods and services	**39,073**	47,107
Rental income	**4,002**	2,717
Rental expense	**3,677**	3,815
Interest expense (note)	**125,768**	264,233
Repayment of loans (note)	**3,626,648**	4,017,674
New borrowings (note)	**420,000**	1,952,924

Note: For the year ended 31 December 2017, OCT Group and its subsidiaries provided financial supports to the Group, and such financial supports constituted to connected transactions of the Group, but were exempted from complying with the requirements of reporting, announcement and approval from independent shareholders based on that the financial supports provided to the Group by OCT Group and its subsidiaries and which benefited the Group was made on the normal commercial terms (or more favorable than that provided to the listing issuer) to provide loans to the Group; and no asset of the Group was pledged as collateral for these financial supports.

(c) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Group's directors as disclosed in note 7 to the consolidated financial statements and certain of the highest paid employees as disclosed in note 8 to the consolidated financial statements, is as follows:

	2017 RMB'000	2016 RMB'000
Short-term employee benefits	**16,608**	12,126
Post-employment benefits	**871**	775
	17,479	12,901

Total remuneration is included in "staff costs" (see note 5(b)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(d) Balance with related parties

Amounts due from/(to) related parties are set out in notes 19, 22 and 23 to the consolidated financial statement.

(e) Applicability of the Listing Rules relating to connected transactions

Apart from the connected transactions and continuing connected transactions disclosed in the section headed "Connected Transactions" in the Directors' Report, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

31 DISPOSAL OF SUBSIDIARIES

During the year end 31 December 2017, the Group has disposed certain subsidiaries. Subsequent to the disposals, these entities are no longer subsidiaries of the Group and certain of these subsidiaries became associates of the Group.

The combined effect of such disposals on the Group's assets and liabilities is set out below:

	2017 RMB'000
Non-current assets	(61,353)
Interest in an associate	379,412
Current assets	(2,908,056)
Current liabilities	2,891,340
Non-current liabilities	6,548
	307,891
Release of exchange reserve	(51,883)
Gain on disposal of subsidiaries	(730,930)
Gain on previously held interest in a subsidiary upon loss of control	(416,238)
Consideration for amount due from disposed subsidiary settled	(668,763)
Total consideration	(1,559,923)
Total consideration received, satisfied in cash	1,559,923
Cash and cash equivalents disposed of	(908,300)
Net cash inflow arising from disposals	651,623

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2017 RMB'000	2016 RMB'000
Non-current assets		
Property, plant and equipment	18	23
Investments in subsidiaries	417,898	417,898
	417,916	417,921
Current assets		
Other receivables	7,290,211	7,715,447
Cash and cash equivalents	4,680,314	89,558
	11,970,525	7,805,005
Current liabilities		
Other payables	385,764	416,231
Bank loans	1,253,865	2,004,186
Related party loans	–	612,000
	1,639,629	3,032,417
Net current assets	10,330,896	4,772,588
Total assets less current liabilities	10,748,812	5,190,509
Non-current liabilities		
Bank loans	2,666,553	491,975
Related party loans	–	2,114,648
	2,666,553	2,606,623
NET ASSETS	8,082,259	2,583,886
CAPITAL AND RESERVES		
Share capital	67,337	67,337
Perpetual capital securities	5,293,313	–
Reserves	2,721,609	2,516,549
TOTAL EQUITY	8,082,259	2,583,886

Approved and authorised for issue by the board of directors on 24 March 2018.

He Haibin
Director

Xie Mei
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 26(b).

(b) As mentioned at note 21, on 28 December 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose part of its subsidiary, Suzhou Huali Environmental Packaging Technology Co., Ltd.'s assets at a consideration of RMB19,000,000. The disposal of assets was completed on 9 January 2018.

(c) As mentioned at note 21, on 15 December 2017, the Group's subsidiary Hanmax Investment Limited placed 85% of its equity interest of Huali Packaging (Huizhou) Co., Ltd. on China Beijing Equity Exchange for sale through open tender with price starting from RMB71,809,000. On 12 February 2018, the group disposal the subsidiary successfully at a consideration of RMB71,809,000.

34 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, Uncertainty over income tax treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has not been substantially completed for HKFRS 15, HKFRS 9 and HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 15, Revenue from contracts with customers

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. 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.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in Note 1(w). Currently, revenue arising from the sale of goods and properties is generally recognised when the risks and rewards of ownership have been passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has been passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 15, Revenue from contracts with customers *(continued)*

(a) Timing of revenue recognition (continued)

The Group has assessed that revenue recognition for sales of properties is expected to be affected by the new revenue standard as follows:

Currently the Group's property development activities are mainly carried out in the PRC. In the process of assessment of HKFRS 15 impact on the Group's revenue recognition, we are taking into account the contract terms, the Group's business practice and the legal and regulatory environment in which the property development activities are taken place. Currently the Group's revenue recognition policies are disclosed in Note 1(w), which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Under the transfer-of-control approach in HKFRS 15, the revenue from property sales will generally be recognised when the customers obtain control of the properties for those property development activities not meet the criteria for recognising revenue over time, which may not result in revenue being recognised substantially later than at present.

(b) Significant financing component

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

In assessing whether such advance payments schemes include a significant financing component, the Group has considered the difference between the discounted price offered to those customers and the cash selling price, and the length of time between the payment date and the completion date of legal assignment (i.e. the date when the customers obtain control of the properties) based on the typical arrangements entered into with the customers.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 15, Revenue from contracts with customers *(continued)*

(c) Incremental cost of obtaining a contract

HKFRS 15 requires an entity to recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. Incremental costs of obtaining a contract are costs that the entity would not have incurred if the contract had not been obtained. The asset recognised shall be amortised, i.e. charged as an expense, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

The Group considered the sales commission of property sales is the incremental costs of obtaining a contract because it incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. It shall be capitalised as “contract costs” when incurred and recognise it as an expense when revenue from the property sales contract that gave rise to the commission is recognised. Currently, the Group’s sales commission of property sales is recognised as an expense when incurred. The Group is in the process of assessing the implication of sales commission of property sales on its capitalisation policy.

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group will use the modified retrospective approach to transition and not present restated comparative information for prior periods. Adjustments to the carrying amounts of financial assets and liabilities arising from the adoption of HKFRS 9 will be recognised in opening balance of equity as at 1 January 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 9, Financial instruments *(continued)*

Expected impacts of the new requirements on the Group's consolidated financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group is considering whether to elect this designation option for any of the investments held on 1 January 2018. If the Group elect to do so, this will give rise to a change in accounting policy as currently the Group recognises the fair value changes of available-for-sale equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 1(g) and 1(l). This change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 9, Financial instruments *(continued)*

(a) Classification and measurement (continued)

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, the Group reviews whether there is objective evidence of impairment at the end of each reporting period as disclosed in note 1(l), it expects that the Group's financial performance will not be significantly impacted by the accounting for "expected credit loss" model.

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group currently does not have any hedge relationships and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

HKFRS 16, Leases

As disclosed in note 1(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 16, Leases *(continued)*

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

Five-Year Financial Summary

For the year ended 31 December

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	**4,904,794**	5,358,174	6,436,110	3,796,572	4,058,517
Cost of sales	**(3,236,830)**	(3,712,045)	(4,414,956)	(2,550,308)	(2,578,885)
Gross profit	**1,667,964**	1,646,129	2,021,154	1,246,264	1,479,632
Other income	**36,508**	44,033	46,717	55,687	20,374
Other net gains/(losses)	**1,073,201**	10,373	(9,669)	350,958	52,892
Distribution costs	**(261,018)**	(285,833)	(284,517)	(221,459)	(206.477)
Administrative expenses	**(327,761)**	(248,930)	(249,613)	(190,093)	(200,658)
Other operating expenses	**(3,632)**	(103,855)	(122,770)	(46,958)	(8,731)
Profit from operations	**2,185,262**	1,061,917	1,401,302	1,194,399	1,137,032
Finance costs	**(190,960)**	(254,777)	(222,935)	(189,867)	(159,042)
Share of profits/(losses) of associates	**104,060**	480,926	188,307	(13,217)	18,316
Excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition of an associate	**–**	–	–	–	5,822
Share of loss of a joint venture	**(8,322)**	(5,456)	–	–	–
Profit before taxation	**2,090,040**	1,282,610	1,366,674	991,315	1,002,128
Income tax	**(664,289)**	(665,952)	(704,731)	(457,737)	(445,731)
Profit for the year	**1,425,751**	616,658	661,943	533,578	556,397
Attributable to:					
Equity holders of the Company	**1,106,804**	385,511	273,042	326,028	235,905
Non-controlling interests	**318,947**	231,147	388,901	207,550	320,492
Profit for the year	**1,425,751**	616,658	661,943	533,578	556,397
Earnings per share (RMB)					
Basic	**1.59**	0.57	0.40	0.49	0.41
Diluted	**1.41**	0.52	0.37	0.44	0.38

Five-Year Financial Summary

As at 31 December

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Non-current assets					
Fixed assets	4,556,985	4,221,933	2,640,860	2,675,230	2,703,171
Intangible assets	1,597	2,092	2,125	684	486
Goodwill	570	570	103,740	223,476	267,195
Interests in associates	2,638,854	1,634,164	394,588	155,611	186,299
Interests in a joint venture	11,222	19,544	–	–	–
Other financial assets	599,711	247,320	4,320	4,320	4,320
Deferred tax assets	164,096	154,251	160,947	122,047	114,579
Other long-term deposits	–	–	1,107,843	–	–
	7,973,035	6,279,874	4,414,423	3,181,368	3,276,050
Current assets					
Inventories	8,237,853	10,490,803	13,183,088	13,699,310	14,565,322
Trade and other receivables	365,154	530,196	1,107,857	1,213,414	1,549,176
Other financial assets	–	1,159,700	–	–	–
Cash and cash equivalents	6,927,464	2,077,758	3,374,156	3,763,918	1,711,357
	15,530,471	14,258,457	17,665,101	18,676,642	17,825,855
Assets of disposal groups classified as held for sale	242,010	–	–	–	–
	15,772,481	14,258,457	17,665,101	18,676,642	17,825,855
Current liabilities					
Trade and other payables	3,074,121	4,269,561	3,517,417	3,085,903	3,868,882
Bank and other loans	3,989,954	2,559,663	1,313,139	477,835	208,699
Related party loans	1,385,700	1,212,000	1,373,752	1,301,393	671,000
Current taxation	722,847	421,618	766,481	644,725	778,130
	9,172,622	8,462,842	6,970,789	5,509,856	5,526,711
Liabilities directly associated with assets of disposal groups classified as held for sale	43,878	–	–	–	–
	9,216,500	8,462,842	6,970,789	5,509,856	5,526,711
Net current assets	6,555,981	5,795,615	10,694,312	13,166,786	12,299,144
Total assets less current liabilities	14,529,016	12,075,489	15,108,735	16,348,154	15,575,194
Non-current liabilities					
Bank and other loans	1,019,751	1,716,975	2,817,516	3,044,400	952,481
Related party loans	–	3,380,348	5,283,346	6,661,154	8,238,876
Deferred tax liabilities	196,324	211,464	234,948	258,937	273,542
	1,216,075	5,308,787	8,335,810	9,964,491	9,464,899
NET ASSETS	13,312,941	6,766,702	6,772,925	6,383,663	6,110,295
Equity attributable to equity holders of the Company	9,672,327	3,026,948	3,035,855	2,998,057	2,743,518
Non-controlling interests	3,640,614	3,739,754	3,737,070	3,385,606	3,366,777
TOTAL EQUITY	13,312,941	6,766,702	6,772,925	6,383,663	6,110,295