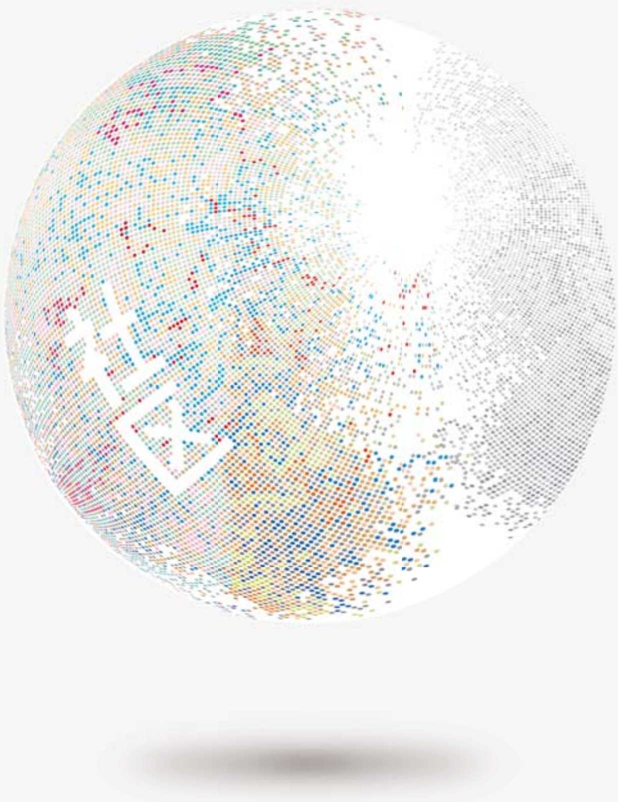
花样年
FANTASIA

17

Annual Report | Stock Code: 01777



花樣年控股集團有限公司
FANTASIA HOLDINGS GROUP CO., LIMITED.

Creating Value with Aspirations.

CONTENTS

FANTASIA

DIRECTORS

Executive Directors

Mr. Pan Jun (Chairman and Chief Executive Officer)
Ms. Zeng Jie, Baby
Mr. Lam Kam Tong
Mr. Zhou Jinquan (resigned on 17 January 2017)
Mr. Deng Bo (appointed on 17 January 2017)

Non-Executive Directors

Mr. Li Dong Sheng
Mr. Yuan Hao Dong (resigned on 31 March 2017)
Mr. Liao Qian (appointed on 31 March 2017)

Independent Non-Executive Directors

Mr. Ho Man
Mr. Huang Ming
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP
Mr. Guo Shaomu

COMPANY SECRETARY

Mr. Lam Kam Tong

AUTHORIZED REPRESENTATIVES

Mr. Pan Jun
Mr. Lam Kam Tong

AUDIT COMMITTEE

Mr. Ho Man (Committee Chairman)
Mr. Huang Ming
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP
Mr. Guo Shaomu

REMUNERATION COMMITTEE

Mr. Huang Ming (Committee Chairman)
Mr. Ho Man
Mr. Pan Jun
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP
Mr. Guo Shaomu

NOMINATION COMMITTEE

Mr. Pan Jun (Committee Chairman)
Mr. Ho Man
Mr. Huang Ming
Ms. Zeng Jie, Baby
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP
Mr. Guo Shaomu

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

Agricultural Bank of China
China Construction Bank Corporation
China Everbright Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISORS

As to Hong Kong Law

Sidley Austin

As to PRC Law

Commerce & Finance Law Offices

As to Cayman Islands Law

Conyers Dill & Pearman

REGISTERED OFFICE

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

CORPORATE HEAD OFFICE IN HONG KONG

Room 1202–03
New World Tower 1
16–18 Queen's Road Central
Hong Kong

CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

Block A, Funian Plaza
Shihua Road and Zijing Road
Interchange in Futian Duty-free Zone
Shenzhen 518048
Guangdong Province
China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

The Company's Share Listing

Ordinary shares
The Stock Exchange of Hong Kong Limited
Stock Code: 1777

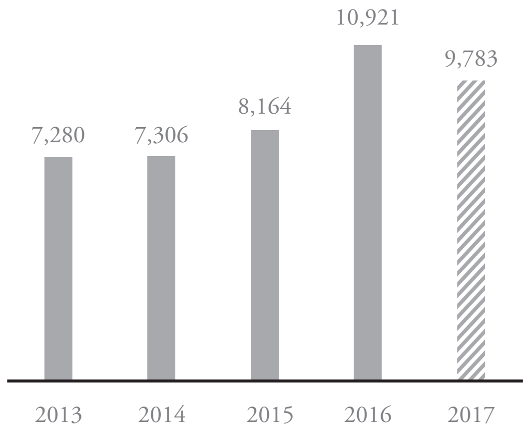
The Company's Senior Notes Listing

USD200 million 11.50%, 3 years senior notes due 2018
USD487 million 5.50%, 1 year senior notes due 2018
CNY1.6 billion 9.50%, 3 years senior notes due 2019
USD250 million 10.75%, 7 years senior notes due 2020
USD500 million 7.375%, 5 years senior notes due 2021
USD300 million 7.95% 5 years senior notes due 2022
The Singapore Exchange Securities Trading Limited

WEBSITE

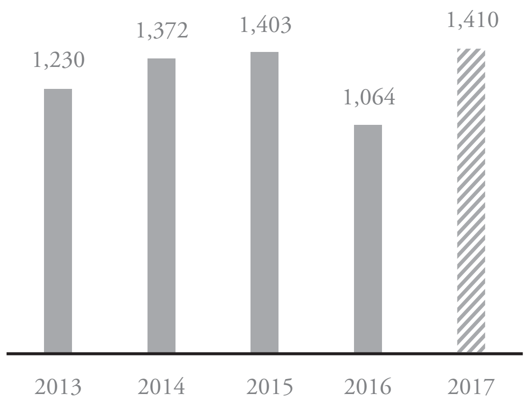
http://www.cnfantasia.com

Revenue (in RMB' million)



10.4%

Net Profit (in RMB' million)



32.45%

	2013	2014	2015	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Total assets	30,563,466	41,254,080	44,551,288	49,752,263	68,956,740
Gross profit	2,793,559	2,806,812	2,518,743	3,528,482	2,897,604
Profit attributable to owners of the Company	1,215,038	1,255,341	1,210,610	805,736	1,154,316
Basic earnings per share (RMB)	0.23	0.22	0.21	0.14	0.20
Revenue	7,279,828	7,305,950	8,164,297	10,920,638	9,782,568
Total liabilities	22,732,138	29,841,706	32,311,251	36,631,528	51,258,709

◎ On 18 January, at the award ceremony of the Insight of Hong Kong Stock New Values Summit Forum cum 2017 "Golden Hong Kong Stock" Listed Companies held in Shenzhen, Fantasia Holdings Group Co., Limited (01777.HK) garnered the award of "2017 Golden Hong Kong Stock – Best Listed Company in Investor Relations Management".

◎ On 8 January, at the award ceremony of China Financial Market Award Gala, sponsored by "China Financial Market" (中國融資), a Hong Kong renowned financial magazine, and co-sponsored by Board of Listing Companies of Hong Kong Chinese Enterprises Association, Hong Kong Chinese Securities Association and Hong Kong Institute of Financial Analysts and Professional Commentators Limited, held in Hong Kong. Fantasia Holdings Group Co., Limited (01777.HK) was honoured with the award of "2017 China Financial Market Grand Prize – Most Investment Value Award of Shenzhen-Hong Kong Stock Connect".

Fantasia Holdings Group Co., Limited (01777.HK) garnered the "2017 China Excellent IR – Best Case Study Award".

◎ On 16 March 2017, at the "2017 China's Top 100 Real Estate Companies Research Results Conference cum the 14th China's Top 100 Real Estate Companies Entrepreneurs Summit", jointly held by Development Research Center of the State Council, Institute of Real Studies at Tsinghua University and China Index Academy, held in Huafangyuan, No. 14 Guobin Hotel, Diaoyutai Beijing, Fantasia Holdings Group's dual innovation and transformation in 2016 to accelerate its light asset transformation was recognized to have achieved remarkable results and the Company was awarded with the title of "Outstanding Company with Light Asset Operation in 2017" and the title of "China's Top 100 Real Estate Companies" for nine consecutive years. Meanwhile, backed by its sound operation and healthy financial condition, it was also awarded the titles of "China's Top 100 Real Estate Companies in 2017 – Top 100 in Financing Capability" and "China's Top 100 Real Estate Companies in 2017 – Top 100 in Stability".

To commend those advanced and model enterprise, the People's Government of Longgang District in Shenzhen awarded the title of "Top 100 Companies in Industrial Investment in Longgang District in 2016" to 10 companies, including Shenzhen Fantasia Real Estate Group Co., Ltd.

◎ In June 2017, Fantasia Real Estate, Noble Family (a poem for Chengdu I will write) was honoured the award of “Best Marketing Case Study Award in Chengdu – June – Second Quarter of 2017” by Fangguancha Housing Index (房觀察房指數).

◎ In 2017, Fantasia Real Estate Group was selected among the “2017 China’s Real Estate Roll of the Honour List”.

◎ In 2017, Fantasia • Jiatianxia was awarded the title of “2017 Best Residential Property”.

◎ In September 2017, High-End Residential was awarded the title of “2017 Worth-Expecting Luxurious Apartments in Cixi Property Market” by Cixi Real Estate Website.

◎ In December 2017, Fantasia • Lakeside Eden was awarded the honour of “Golden Brick Award For Real Estate of Guangxi – 2017 Benchmarking Property Award in Guilin Region” at Guangxi’s highest and most influential real estate award, which was jointly sponsored and held by Nanguo Chengbao of Guangxi Daily Media Group and Guilin Real Estate Industry Association.

◎ In June 2017, Colour Life Service Group Co., Limited was awarded various honourary titles by China Index Academy, such as “2017 China’s Top 100 Leading Property Service Companies in Satisfaction”, “China’s Top 10 Property Service Companies in Overall Strength”, “ China’s Top 100 Property Service Companies for Nine Consecutive Years From 2009 to 2017”, “Top 10 Among China’s Top 100 Property Service Growth Companies”, “Leading featured Property Service Company in China-Intelligent Community”, “Top 10 Among China’s Top 100 Property Service Companies in terms of Business Scale” and “2016 World’s Largest Community Service Platform”, and enrolled as a “Member Unit of China Real Estate Big Data Alliance”.

◎ In June 2017, Colour Life Service Group Co., Limited garnered the honourary titles of “Shenzhen Property Service Top 50 Overall Strength Company” and “Leading 30 Shenzhen Index (Sample Unit) in 2016 Property Management Owner Satisfaction” by Shenzhen Property Management Association.

◎ On 8 August 2017, Colour Life Service Group (HK01778) was awarded the honour of “Social Responsibility Special Award” by Guandian.cn due to its outstanding social responsibility and leading community development strategy.

◎ In September 2017, Colour Life Service Group was awarded the title of “Market-oriented Operation Leading Brand Enterprise of China’s Property Service in 2017” by China Index Academy.

◎ On 11 October 2017, Colour Life Service Group garnered the certification of “Innovative Demonstration Case Award” and “Excellent Organization Award” by China Property Management Institute.

◎ On 12 December 2017, Tang Xuebin, Chief Executive Officer of Colour Life Service Group garnered the “China’s Top 10 Property CEO” award, which was jointly granted by Sina Finance, Leju Holdings, China Real Estate Research Institute, Shanghai Securities News and China Entrepreneur.

◎ In May 2017, U Hotel Shenzhen was awarded the title of “The Best Boutique Hotel” in Langya Ratings in 2017 (2017年度琅琊榜“最佳精品飯店”) by Shenzhen Hotel Association and Deng Hongmei, general manager of U Hotel Shenzhen was selected as Excellent Hotel Manager.

◎ In June 2017, at "The Fifth GHM Hotel General Manager Summit Forum cum Golden Pearl Award Ceremony for GHM hotels" held at Hong Kong Convention and Exhibition Centre, Shenzhen Fantasia Hotel Management Co., Ltd. was awarded the "Golden Pearl Award" for GHM Highest Brand Values Hotel Management Company in 2017.

◎ In June 2017, Taipei U Hotel was awarded the title of "Guest Review Award for 2017 Hotels.com 2017 LOVED BY GUESTS" granted by Hotels.com.

◎ In August 2017, U Hotel of Shenzhen Fantasia Hotel Management Co., Ltd. was awarded the "China Green Hotel (Level IV)" certificate by National Green Hotel Committee.

◎ In August 2017, Taipei U Hotel was awarded the title of "2017 Taipei Universiade Appointed Hotel for 29TH Summer Universiade" and "One of Three Media Hotels in Taipei" by Taipei Municipal Tourism Bureau.

◎ In December 2017, Taipei U Hotel was honoured with the award of "2017 agoda-Golden Circle" by Agoda.

◎ In November 2017, Shenzhen Huawannian Commercial Management Co., Ltd. was awarded with the honour of "Commercial Performance Award for China Top 100 Commercial Properties • China Top 100 Commercial Properties for 2017".

◎ In September 2017, Shenzhen Color Pay Technology Co., Ltd. was honoured the "High Technology Enterprise Certificate" by the PRC Government.

◎ In September 2017, Shenzhen Color Pay Technology Co., Ltd. was awarded the title of "China Finance Top 10 Most Influential Brand" by NDRC Macroeconomic Management/ China Enterprise News.

◎ In November 2017, Shenzhen Color Pay Technology Co., Ltd. garnered the honours of "Best Innovation Award for Puhui Finance" and "Excellent Third Party Payment" by Chinese Finance Research Institute.

◎ In December 2017, Shuangqian Online Payment Co., Ltd. was awarded the title of the ""Advanced Unit" of Security Foundation Activity" by Suzhou Public Security Bureau Industrial Park District Branch.

◎ In January 2018, Shuangqian Online Payment Co., Ltd. was awarded the title of "2018 Mobile Payment Sector • Innovative Service Enterprise" by the organising committee of China Mobile Payment Annual Conference.

◎ On 30 June 2017, Shenzhen Property Management Industry Association held "The Third Executive Directors and Council Committee Meeting of The Sixth Session of Shenzhen Property Management Industry Association" in Yijia International Room, Wen Jin Plaza, Shenzhen, and issued the award of "2016 Shenzhen Top 50 Property Service Companies in Overall Strength", and once again, Shenzhen Aerospace Property Management Company Limited was among the top 30 with its No. 22 ranking.

◎ In December 2017, Beiyou Electronic Control & Fuel Technology (Beijing) Company Limited garnered the "14th Session's Best 100 China Auto Parts Suppliers Certificate" by the editorial of "China Automobile News".

◎ In January 2018, Fantasia Real Estate Group Chengdu Branch was awarded the title of "No. 17 of the Top 20 Sichuan Real Estate Developers in 2017 of China Data" by Sichuan Real Estate Data Evaluation Research Center.

◎ In January 2018, Fantasia • Jiatianxia, model of innovative green intelligent technology, of Fantasia Real Estate Group was awarded the title of "2018 Real Estate Marketing New Future Award in Guangdong, China" by Tencent Real Estate.

Chengdu JR Fantasia

◎ On 12 January 2017, Chengdu Fulin Endowment Apartment was awarded the "Licence for Establishing the Retirement Institutions" ("養老機構設立許可證") issued by the Administrative Approval Bureau of Wuhou District, Chengdu.

◎ On 21 February 2017, Qian Sheng Hua of Fantasia Financial Community Group entered into strategic cooperation with Huishang Bank.

◎ On 16 June 2017, the "2017 China's Top 100 Real Estate Companies Research Results Conference cum the 14th China's Top 100 Real Estate Companies Entrepreneurs Summit" organised by China Index Academy was honourably held in Beijing. Colour Life Services Group entered the China Top 100 Property Service Companies (中國物業服務百強企業) final for nine consecutive years, and pocketed the grand prizes of the "2017 China Top 10 Property Service Companies in Overall Strength" (2017中國物業服務百强企業綜合實力Top 10), "Top 10 Service Scale Enterprises in Top 100 Property Services Companies in China 2017" (2017中國物業服務百強企業服務規模TOP10), "Leading Enterprises of Satisfaction in Top 100 Property Services Companies 2017" (2017中國物業服務百強滿意度領先企業), "Top 10 Growth Enterprises in Top 100 Property Services Companies in China 2017" (2017中國物業服務百強企業成長性TOP10), "2017 China Specialized Property Service Company – Intelligent Community" (2017中國特色物業服務領先企業－智慧社區).

◎ On 18 June 2017, the "No Stranger in Chengdu" ("成都沒有陌生人") China Community Thermometer 2.0 Chengdu Press Conference was held with a total of 300 attendees from all walks, including homeowner representatives and partners participated.

◎ On 1 June 2017, after signing the three main buildings, namely the Future Plaza, Meinian Plaza and Funian Plaza, Fantasia International Property (Chengdu) secured the contract of Jiatianxia of Fantasia. Once again, Fantasia Real Estate Group lays out the southern zone of International City and develops its "Home Series" ("家系列作品") concept with the 210–acre Riverfront City in Jiatianxia of Fantasia.

◎ On 30 June 2017, The Third Executive Directors and Council Committee Meeting of The Sixth Session of Shenzhen Property Management Industry Association was held by Shenzhen Property Management Industry Association. During the meeting, the "2016 Shenzhen Top 50 Property Service Companies in Overall Strength" (2016年度深圳市物業服務企業綜合實力50強) was reported and awards were granted. Once again, Aerospace Property, a subsidiary of Home E&E was among the top 30 with its No.22 ranking.

◎ In May 2017, U Hotel Shenzhen was awarded the title of "The Best Boutique Hotel" ("最佳精品飯店") in Langya Ratings ("琅琊榜") by Shenzhen Hotel Association.

◎ On 27 June 2017, the Finance Office of People's Government of Jiangxi Province issued the Approval For Setting Up Ganzhou Caitong Network Mini-loan Co,. Ltd.* (贛州市彩通網絡小額貸款有限公司). Caifubao established the network mini-loan company as the single shareholder in Longnan County, Ganzhou, Jiangxi Province.

◎ In June 2017, Shenzhen Funian Jet Aviation* (深圳市福年商務航空) received the approval from Civil Aviation Administration of China and obtained the operating licence.

◎ On 12 June 2017, Fantasia was awarded the trophy of "2017 Quality China Real Estate Company Award" (2017優質中國房地產企業大獎).

◎ On 17 July 2017, at the "Fantasia • 77 Cultural and Creative Strategic Cooperation Press Conference" held at 77 Cultural and Creative Arts Gallery in Beijing, Fantasia marked the starting point for the exploration and opening of an innovative industry based on Fantasia foundation to integrate the characteristics of cultural and creative industries, and make concerted efforts to innovate. Through the Happy 7 Harmony project, Fantasia aims to activate community potential with a new industrial model through integrating the industry with the community with artistic presentation, using supporting community living as the core.

◎ On 8 August 2017, Colour Life Service Group (HK01778) garnered the honour of Social Responsibility Special Award (社會責任特別大獎) at the China Real Estate Fashion Award ceremony convened during the 2017 Boao Real Estate Forum held by Guandian.cn due to its outstanding social responsibility and leading community development strategy.

◎ On 17 August 2017, Color Life Service Group reached a strategic cooperation with qqbsmall (光彩全球網) to adopt the cross-border e-commerce model of "parallel import of automobiles" ("平行進口汽車"). At the same time, qqbsmall and Shenzhen Colour Life Network Service Co., Ltd. (深圳市彩生活網絡服務有限公司) established a joint venture company to jointly manage and operate the business, aiming to create the largest cross-border e-commerce community service platform by combining the experience from qqbsmall, the resources from Color Life as well as the online and offline linkage operations.

◎ On 9 August 2017, Xi'an Fantasia Real Estate Co., Ltd* (西安花樣年房地產開發有限公司) was formally established.

◎ By end of August 2017, Shenzhen Funian Jet Aviation Co., Ltd.* (深圳市福年商務航空有限公司) successfully passed the CCAR-91 operation qualifications examination and obtained the approved operation standard issued by CAAC Central and Southern Region Administration.

◎ (On 25 August 2017, Hong Kong) Colour Life Services Group Co., Limited, the world's largest community services provider, was pleased to announce the unaudited interim results for the six months ended 30 June 2017 (the "Period").

◎ On 5 September 2017, Fantasia published the "Jiatianxia" ("家天下") intelligent community product line. The Jiatianxia product line serves the needs of community users, and based on the four aspects of construction industry 4.0, that is, the environmental protection, home intelligentize, personalized decoration, service customization concept to construct the first "four aspects residential" ("四化住宅") community.

◎ On 14 September 2017, the "Research Findings of China Real Estate Brand Value in 2017 and the 14th Development Summit for China Real Estate Brand", jointly organised by Enterprise Research Institute under the Development Research Center of the State Council (國務院發展研究中心企業研究所), Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院), was held in Beijing Yangqi Lake International Conference Center. With its strong comprehensive strength, Colour Life Services Group proudly garnered the "Chinese Leading Brand Enterprise in Property Services Marketing Operation for 2017" (2017中國物業服務市場化運營領先品牌企業) with a brand value of Renminbi Three Thousand Six Hundred and Twenty Million (¥3,620,000,000).

◎ (Welfare) From 24 June to 24 July, Fantasia Property Shenzhen Company raised donations of over RMB0.54 million in 2017 in reminiscing the Long March. From August 1 to 13, the Company, together with Fantasia Charity Foundation, inaugurated the first colourful 13-day "Summer Flowers full of Love in Ji'an" Summer Camp at Ji'an Fantasia Hope Primary School. From August 14 to 17, a 4-day "Experience the City, Dream for the Future" tour for Ji'an Fantasia Hope Primary School's teachers and students was launched. From September 21 to 24, a 4-day "Love Trip for Love" walkathon was organised.

◎ On 20 September, the foundation stone laying ceremony of Hankou Xingfu Wanxiang Bus Complex Project, the first public transport complex in Wuhan, was honourably held. The project signifies the first TOD development model of Wuhan public transport and will become a benchmark for bus terminal transformation.

◎ On 14 November 2017, Fantasia Holdings Group Co., Limited (HKEX stock code: 1777) and Colour Life Services Group Co., Limited (HKEX stock code: 1778) published a joint announcement. Fantasia intended to transfer the 100% beneficial interest in Shenzhen Xingfu Wanxiang Investment Partnership Co. (Limited Partnership) ("Shenzhen Wanxiang") and the 100% shares of Wanxiangmei Property Management Co., Ltd ("Wanxiangmei", formerly known as Wanda Property Management Co., Ltd.) to Colour Life at the consideration of RMB2.013 billion through a series of transactions.

◎ On 14 December 2017, "The Nineteen National Congress Spirit Community Promotion and Community Governance Innovation Shunyi Forum", organized by China Community Development Association, was held in Beijing. During the meeting, Deng Bo, President of Soshe Research Institute, released the "China Community Thermometer Version 2.0" ("中國社區溫度計2.0版") on behalf of China Community Development Association and Soshe Research Institute.

◎ On 31 December 2017, the representative team of National Community Spring Festival Organization Office visited Shenzhen. They visited and appreciated the Fantasia Group and Colour Life Services Group and also visited Fantasia Hua Jun, Fortune Coastal Community and Tao Yuan Ju Community, talked freely with community residents in celebrating the new year.

Chengdu Zhi Art Museum

REPORTING SCOPE AND STANDARD

This is the Environmental, Social and Governance ("ESG") Report prepared by the Group pursuant to the ESG Reporting Guide provided in Appendix 27 to the Listing Rules on the Stock Exchange of Hong Kong Limited. This report covers our operation in Hong Kong for the financial year ended 31 December 2017 and discloses the information of the Group's ESG management approach, strategy, priorities, objectives, and compliance with the relevant laws and regulations and our performance.

The Board has overall responsibility for the Group's ESG strategy and reporting and has determined to integrate the ideas of environmental and social responsibility into the Group's operation and management activities. The Board has reviewed and approved this ESG report.

STAKEHOLDERS ENGAGEMENT

The Group endeavours to create sustainable growth and long-term value for its stakeholders, who comprise the Group's employees, investors, contractors, customers, contractors and the wider community. We continue to interact with our stakeholders on an ongoing basis to understand their views and collect their feedback. Our communication channels with our stakeholders include company website, annual general meeting, staff meetings, contractor meetings and direct engagement with our customers, etc.

A. Environment

As a leading real estate enterprise in China, the Group has adhered to the principle of sustainable development. It is committed to be the leading green company in the domestic property market while developing property projects. The Group has implemented internal environmental protection policies to minimize the impact of its business operation on the environment, such as exhaust, sewage and wastes, and carried out a number of environmental measures in this regard.

JiAn Fantasia Hope Primary School

Fantasia Public Welfare Activities

We value the compliance with relevant environmental laws and regulations. Our staff and construction contractors are required to comply with the relevant environmental laws and regulations to meet our standards and specifications. The Group strictly implements all national environmental laws and regulations that formulated, including but not limited to the aspects of air pollution, noise pollution, waste discharge and environmental protection of construction projects.

During the year, there was no material breach in the projects managed by the Group in respect of the Environmental Protection Law of the People's Republic of China, Integrated Emission Standard of Air Pollutants, Law of the People's Republic of China on the Prevention and Control of Water Pollution, Regulations on the Administration of National Environmental Monitoring, Regulations on the Administration of Construction Project Environmental Protection, Regulations on the Administration of City Appearance and Environmental Sanitation and other applicable laws and regulations relating to environmental protection.

1. Emissions

Our Group's property projects generate exhaust, sewage and construction wastes. Most of our construction works are substantially outsourced to third-party construction contractors.

The Group has established the contractor monitoring procedures to oversee their environmental performances and require contractors to implement various emission and waste reduction measures regularly. When signing a contract, contractors shall sign for and comply with the environmental protection code established by the Group. The Group clearly stipulates the environmental protection requirements in the contractual construction agreement and contract to limit emissions and discharges of various kinds of exhaust, dust, sewage and wastes at construction sites. Regular inspections are carried out on the contractors according to the relevant requirements of the Group by a third-party inspection agency, which inspects, gives scores and rectifies the on-site emission items. The Group also sends personnel to monitor the environmental pollution of the projects under construction, and holds regular meetings on environmental compliance. The contractors are also required to report environmental data to the Group on a regular basis, which enables the Group to supervise the environmental performance and compliance of the projects under construction.

In addition, the Group has developed a series of detailed construction instructions to control the exhaust emission and sewage discharge at construction sites, including: controlling the use of heavy polluting diesel engines at construction sites; installing catalytic converters or particulate filters and sensors on the exhaust pipes of mechanical equipment to measure air pollutant emissions; using finished materials (finished concrete and mortar); establishing indicators for pollutants and air quality with daily monitoring on the above data and follow-up immediately on any exceeding incidents by project construction supervisor; setting up environmental monitoring sensors throughout construction sites to monitor air quality at the sites and have real-time control over fine particulate matter, nitrogen oxides and sulphur dioxide; collecting all sewage at construction sites and discharging to designated port after sedimentation treatment.

The Group-owned vehicles are mainly for providing transfer service to its staff and assisting staff in inspecting the construction sites. However, due to infrequent use of vehicles, the Group had no major exhaust emission during the year.

The Group's wastes mainly come from the property business and office operations. During the year, the amount of wastes generated by the construction contractors was estimated as follows:

Type of construction wastes	Unit	Amount
Fluorescent tube	Tonnes	31.0
Asbestos	Tonnes	8.0
Building debris	Tonnes	18,389.6
Rubble	Tonnes	941.3
Soil	Tonnes	516,995.1
Concrete	Tonnes	32,706.9
Asphalt	Tonnes	4.7
Metal scrap	Tonnes	1,623.6
Bamboo scaffolding	Tonnes	170.5
Wood	Tonnes	2,316.5
Glass	Tonnes	345.7

2. Use of Resources

The Group has improved its water consumption efficiency in three aspects, namely: industrial planning, monitoring of contractors and provision of construction guidelines. Throughout the construction works, the Group has monitored the contractors closely, such as requiring them to sign the declaration of energy-saving to comply with the proposed water saving principle. Project construction manager also needs to monitor the data of water consumption at construction site regularly and formulate water-saving improvement measures accordingly. The Group propagates environmental awareness at construction site and communities and advocates water-saving. Water-saving faucets and sanitary ware have been adopted at construction sites to improve the use of water resources. The construction sites have also set up sewage sedimentation tanks and sewage return pipes to recycle wastewater from construction, living areas and rainwater runoff. For the purposes of recycling and reuse, sewage is pumped into water after sedimentation, and water collected is then used in vehicle cleaning and spraying on the road to reduce dust.

The Group also has corresponding office water-saving measures, including performing regular inspection and maintenance on water pipes to avoid leakage; washing water tank regularly to reduce wastage of water resources. During the year, the Group's water consumption was approximately 5,436 tonnes.

To further put into practice the idea of sustainability, we require construction contractors to sign a resources conservation statement and comply with the relevant energy conservation principles established by the Group. The project construction supervisor monitors the electricity usage data of construction sites regularly and formulates improvement measures for energy conservation accordingly.

Apart from having proper control at construction sites, the Group has also carried out corresponding energy conservation measures in offices. The office buildings are equipped with intelligent air-conditioning temperature control and light switches with self-adjusting function for indoor environment to reduce electricity consumption. The Group has placed great emphasis on publicity and education to raise every employee's consciousness on energy conservation.

The electricity consumption by the Group was approximately 3,495,321kWh, producing CO2 equivalent emissions of approximately 3,417,725kg and an energy consumption intensity of approximately 11.2kWh per square feet during the year.

3. The Environment and Natural Resources

The Group attaches great importance to the impact of its business operation on the environment and natural resources. Therefore, in addition to complying with the relevant national environmental protection regulations and international standards, the Group also merges the environmental protection concepts into our daily management. It endeavours to mitigate real estate development project's impact on environmental protection from the operating strategy, product design to project planning and construction work aspects.

During the construction of each project, the Group regularly monitors and measures emissions that generated and conducts environmental impact assessment. Thereafter, the management and environmental consultant will formulate appropriate plans and measures according to the environmental impact assessment, so as to minimize the damage caused to the environment and natural resources by the project.

The Group will also review the environmental impact caused by its operations and continue to update and improve the environmental protection mechanism as well as enhancing employees' environmental awareness, such that each function can operate more efficiently. Apart from this, the Group has further expanded its monitoring on resources consumption data to implement its strategic layout, so as to contribute to sustainable development of the environment through sound environmental practice and strive to become a "green enterprise."

B. Social aspect

1. Work environment

Fantasia Holdings Group Co., Limited ("Fantasia" or the "Company", together with its subsidiaries "Fantasia Group" or the "Group") is committed to nurturing outstanding employees, providing its staff with competitive remuneration package according to their overall quality of work. Based on the performance and the development potential of employees as well as the external economic environment, Fantasia Group provides a reasonable level of salary adjustment, attractive fringe benefits and reasonable individual leave arrangements so as to ensure a comfortable work life balance for its employees

2. Health and safety

Other than complying with relevant laws and regulations according to international labor standards, the Company emphasizes the harmony of work and leisure and has created a healthy workplace environment through providing exquisite gymnasiums, offering enticing afternoon teas, carrying out regular comprehensive body check-ups for employees and organizing annual tours etc., which inculcates positive life attitude and enhances the sense of belonging among the employees.

3. Recruitment and promotion

Fantasia Group has, according to the specific needs of the Company, developed a competency-based recruitment model for candidates. Recruitment is based on the candidates' capability instead of other factors such as color, race, gender, age and religion. All employees and applicants enjoy equal opportunities and fair treatment. The philosophy of developing a wide array of talents helps to build up the overall strength of the Group and equips the Group with different talents and skills. The average age of employees in Fantasia Group is 31.58. The average age of the management of the headquarters is dropping, with the oldest being 49 and the youngest being 23; the number of female staff is higher than that of the male, with a female to male ratio of 54%: 46%.

Complying rigidly with laws and regulations and exercising stringent recruitment procedures, Fantasia Group absolutely forbids child labor or forced labor

4. Development and training

Fantasia is dedicated to supporting the development of every employee, taking care of employees' physical and mental health and overall development. The Group organizes various professional training as well as introduces external training courses, industry sharing sessions, salons and forums in order to provide employees with various training and learning opportunities.

Fantasia launched various training programs, such as public speaking skills, for senior management so as to facilitate the strategic development of the Company. The Company sends members of the senior management to famous institute of finance for further study so as to promote the talent transformations. The Group holds regular trainings for new employees and new members of senior management in order to build cohesion amongst new comers as well as to allow them to have an in-depth understanding of the Company's philosophy and strategies. The Company is determined to reinforce the Democratic Life Meetings so as to conclude and reflect deeply from our experience and progress and improve amid self-criticism and positive suggestions. The Company completely integrates internal and external trainings in order to provide guidance for the staff for their professional enhancement as well as foster the innovative development of the Company.

5. Supply chain management

Fantasia Group has adopted a stringent and standardized internal control system with absolute emphasis on and strict compliance to relevant laws and regulation of the PRC. Through procurement by the way of tendering, the Group strictly assesses the economic and technical standard of the tenders and chooses the optimal suppliers under fair competitions to ensure the cost and quality of its procurements are reasonable. Through strategic cooperation, and after undertaking complete assessments, the Group develops long term, close and stable relationships with the best rated suppliers for critical products/services in order to achieve ideal procurement goals. Taking account of efficiency, effectiveness and standardization, the Group tightly regulates the procurement process and the assessment principles.

6. Anti-corruption

Fantasia has established a sound structure for internal management and control as well as rigorous policies which would be strictly implemented in order to prevent corruption and fraud.

The Company has zero tolerance of corruption, malpractice and fraud and the relevant policies and operation procedures of the Group reflect integrity, justice and transparency.

In the meantime, the Group has stated clearly to its employees that it takes a firm position on fighting against corruption and malpractice and has included a trustworthy cooperation clause in the contracts entered into with the suppliers and service providers that the Group cooperates with so that they understand the requirements of the Group clearly. The internal audit department of the Group would conduct audit independently, which will further enhance the effectiveness of the whole system.

Furthermore, any incidents or suspicious incidents would be managed and controlled by the business department and would even be reported to the audit committee and administrative management if necessary. Material incidents will be investigated by the internal audit department. Meanwhile, the Group provides channels for complaints and reports so as to investigate any possible or actual illegal acts.

The Group is always on the alert for malpractice, fraud and corruption from time to time and would continuously seek for and implement more effective precautionary measures. Through analyzing trends of changes and incidents, the Group can understand the reasons and process of illegal acts and the remedial actions. The Group would hold exchange forum regularly to exchange the relevant knowledge, skill and experience.

To conclude, taking a firm position against corruption, malpractice and fraud is an integral part of the whole corporate governance of the Group, and the Group is planning to fully utilize resources to protect the legal interests of the Company and its shareholders.

7. Community contributions

January 2017

On 12 January, the first onsite survey for the ninth Voyage to Happiness cum “Design for Happiness – Fu • Designs and Ideas Collection for the Art Museum” (為幸福設計－福•藝術館設計與創意徵集大賽) completed successfully. More than 60 competitors and designers from various domestic regions conducted onsite research and asked questions at the No.3 Auxiliary Building, Plant Two. Participants felt the cosy and happiness atmosphere of the old industrial premises.

In end January, Fantasia Holdings Group collected donation for one good deed a day with a total amount of RMB41,959.58 and launched the 2017 one good deed a day annual theme of “Exercise makes us better” at the annual general meeting of Fantasia China Group.

In January, various Ankangnian Retirement Life Service Centre joint local communities and charitable cooperative agencies to carry out the Spring Festival cultural activity with the theme “Warm Winter,Celebrating New Year”. The activities included puzzle games such as guess riddle, table tennis blowing and best memory and many interactive activities such as lottery, so as to celebrate Spring Festival with community residents.

On 14 January, Ankangnian Guojielou dance team participated in the “unparalleled dance” competition held by Chengdu Television Station and ranked top 10 among the top 30 by virtue of its graceful dance “Wind of Tanggula Mountain” in Sichuan Province.

On 19 January, Youpinshangdong Retirement Life Service Centre in Chenghua Ankangnian Community held the “majhong competition” under the guidance of social workers and nursing staff to foster mutual helping spirit in community and strengthen cultural communication.

February 2017

On 23 February, an offline activity of "Design for Happiness – Fu • Designs Collection for the Art Museum", a design workshop "Art Museum of Happiness" was held at Hunan University, which was the third station following Tsinghua University and Beijing University of Civil Engineering and Architecture. More than 200 people including teachers and students, deans of architecture colleges, well-known architects, designers of art museum, entrepreneurs and art industrial operators attended this on-site interaction to discuss topics such as happiness and art museum.

On 28 February, as a director of Fantasia Charity Foundation, Deng Bo led and went to Beijing to visit Central Committee of the Communist Youth League of China. The Group reported the performance and progress of Fantasia educational public benefit over the past ten years, in particular the educational helping plan to Zhang Chaohui, head of work department of Central Youth Volunteer of the Communist Youth League, Huang Yingfeng, deputy director and Zhang Yanhong, division chief of project guidance department. Both parties discussed further the potential cooperation between Fantasia and Central Committee of the Communist Youth League of China in the Internet plus era as well as under the new circumstances.

On 10 February, Ankangnian Retirement Life Service Centre organized a theme activity named "Lantern Festival Gala" together with its community and gathered over 50 elderly to celebrate the Lantern Festival.

On 24 February, Ankangnian Retirement Life Service Centre in Chenghua District, Chengdu held a birthday party for VIP members at the station and provided mutual communication platform for the elderly and made them feel care from the community and neighbours and enjoyed joy of life at their old age.

On 28 February, Ankangnian Retirement Life Service Centre in Qingyang District and Guojielou Community jointly held the geriatric vocal class. The elderlies practised earnestly from vocalizing, breathing exercise to acoustic spectrum and received intimate and professional services.

March 2017

In mid-March, Ji'an Fantasia Hope Primary School completed its overall maintenance works and assessed the quality and appearance of the maintenance object with project party and made preliminary acceptance.

In early March, an offline activity of "Design for Happiness – Fu • Designs Collection for the Art Museum", a design workshop "Art Museum of Happiness" was held at Central Academy of Fine Arts and Beijing University of Technology. Over 100 people including guests, students and participants shared thoughts, exploration and practice about topics like arts, design, architecture, art museum and happiness with the themed "Art Museum of Happiness". Our media partner, Shenzhen Special Zone Daily, made an in-depth full page coverage reporting.

On 25 March, Fantasia Charity Foundation launched "one good deed a day, big switch off"to salute the "Global one-hour switch-off" campaign. Meanwhile, it proposed to respective segments, regions and project companies under Fantasia Group to switch off for one hour from 20:30 to 21:30 on the same day and turned off wifi, went outdoor to alleviate burdens on earth.

On 15 March, Ankangnian Retirement Life Service Centre in Shuangqiaolu North Community held an opening ceremony of the "walk with love" voluntary project to expect training a community voluntary team to offer support to community service.

On 31 March, Chengdu Ankangnian cooperated with the residential quarter to carry out civilized sacrificing and renovating tomb activity to initiate sacrificing and renovating tombs on Qingming Festival and minimize bad impact on environment from conventional sacrificing. A total of 500 propaganda materials were issued and answered 40 inquiries.

April 2017

In early April, the ninth Fantasia: Voyage to Happiness cum "Design for Happiness – Fu • Designs and Ideas Collection for the Art Museum" (為幸福設計－福•藝術館設計與創意徵集大賽) commenced its online appraisal. With expert reviews and public reviews, 37 experts and the publics conducted reviews on 459 works with understanding and thoughts of happiness this year. After voted by 0.795 million participants and preliminarily accessed by 37 experts, preliminary assessment came out on 30 April. 30 works and 8 public popularity awards and 12 selected finalists in two groups respectively had been evaluated.

In April, donation for one good deed a day in the first quarter of 2017 was completed. The total amount of RMB38,452.66 was transferred into the Fantasia Charity Foundation account and would be used for "one good deed a day" activities.

On 22 April, with the World Earth Day approaching, Shuangqiaolu North Community and Ankangnian Retirement Life Service Centre preached 99 easily done events to protect the earth to community residents and gave out 1,000 various brochures and conducted over 100 people face-to-face propaganda for the purpose of initiating low-carbon lifestyle and set up stronger environmental consciousness for residents.

In April, Ankangnian Retirement Life Service Centre in Chenghua District, Chengdu cooperated with Residents Committee in Shuangqiaolu North Community to convene a parent-child reading activity at Shuangqiaolu North station, and invited Zhang Peng, Master of Chinese Medicine in Fulin clinic at Jiangjun Street to make Spring health lectures and gratuitous treatments and attracted majorities of residents to attend.

May 2017

On 26 May, the ninth Fantasia: Voyage to Happiness cum "Design for Happiness – Fu • Designs and Ideas Collection for the Art Museum" (為幸福設計－福•藝術館設計與創意徵集大賽) completed its final assessment at time space of art museum in Beijing 77 cultural innovation park. There were 25 participants and 9 experts on site. Participants explained their understandings and representations of happiness in anonymity and experts marked scores and made blind evaluation and selected 14 top cash prizes with a total amount of RMB200,000.

In May, subsequent to Fantasia " Fantasia Cup" (花樣杯) Basketball Final, participating leaders challenged themselves in the form of fancy shootings and donated RMB1,800 to Ji'an Hope Primary School. Subsequent to that, Fantasia Charity Foundation donated 100 footballs to Fantasia Hope Primary School in the name of workers (Huang Lu, Zhou Jiangen, Zhong Yufan, Liao Hongyan, Song Aoyan, Huang Yilong, Luo Qian) who had finished the challenge of the quarterly activity "one good deed one day, exercise makes you better" so as to encourage children to do exercise and love sports.

In May, Fantasia young volunteers spent a meaningful China's Youth Day in the form of removing exotic invasive species, popularizing and learning ecological animals and plants in Mangrove Forest Ecopark.

In May, Ankangnian stations in Chengdu took care of community elderly and shared happiness of neighbourhood through various ways of promoting the May 4th spirit of "gathering youth power and inheriting spirits of May 4th movement", culinary competition "Looking for delicacy inside building" in honour of Mother's Day, taking care of the handicapped in Helping the Handicapped Day and the elder people's birthday party in the community.

June 2017

On 24 June, Fantasia Charity Foundation cooperated with Shenzhen Real Estate Company to start the 2nd Season "Care left behind children, Revisit long march road". About 130 Fantasia charity volunteers started their charity trip for caring about left behind children in form of outdoor training.

In June, Pan Jun, honorary chairman of Fantasia Charity Foundation expressed his intention to donate a new kindergarten building in Ji'an Hope Primary School and changed its original kindergarten building into student dormitories. Meanwhile, he showed that one should sat true to the original self when doing charity. And the purpose of Ji'an Hope Primary School was to train ordinary but happy people.

In June, Ankangnian Retirement Life Service Centre in Qingyang District, Chengdu participated in the bidding of governmental purchasing projects for helping the old and the handicapped in Chengdu High-tech District. And it successfully secured the bid for 4 governmental purchasing projects of Cooperation sub-district office, Zhonghe sub-district office, Xiaojiahe sub-district office and Fangcao sub-district office with an amount of governmental purchasing contracts of approximately RMB10 million for a three-year term respectively.

In June, Voyage to Happiness cum "Design for Happiness – Fu • Designs and Ideas Collection for the Art Museum" (為幸福設計－福•藝術館設計與創意徵集大賽) came into final stage. The project team confirmed list of awards according to final decision letter and collected source files of all award-winning works to provide subsequent application, and designed and made trophies and certificates for the competition.

On 9 June, Fantasia Charity Foundation interacted with iRead Foundation. Its staff attended the "Special Class of 2017 Shenzhen Social Organization Charity Law Series" course, a mandated charitable organization course hosted by Shenzhen Social Organization Management Authority and received course-completion certificates.

In June, Ankangnian Retirement Life Service Centre carried out interesting gala party "Colorful child interest, Joyful growth" in Children's Day with Shuangqiaolu North Community.

July 2017

In July, Bian Xiaoling, deputy county mayor in charge of education in Ji'an county Party committee and Zhao Xiaobin, director of Education bureau, and Wang Yuanxiang, deputy director general of Education bureau and Zhou Zhongchu, principal of Ji'an Hope Primary School came to Shenzhen to report the school work progress to Fantasia Group.

In end July, the annual theme on charity cultural activity – "Walk for Love", the first step of "2017 Revisit Long March Road " launched by Fantasia Charity Foundation and Shenzhen Real Estate was completed successfully. Approximately 160 volunteers outperformed the planned walking and donation goals with 250% and 218% completion rate, respectively, achieved the yearly target earlier than scheduled.

On 25 July, a new session of "new pillar supporting education" commenced. Taking the opportunity of fresh graduates' induction training, core volunteers of Fantasia shared the conditions of Ji'an Fantasia Hope Primary School to fresh graduates and supporting education and incentive strategy to stimulate graduates to participate in supported the educations.

In July, certificates for "Design for Happiness – Fu • Designs Collection for the Art Museum" were issued including 14 cash awards, 3 best operational awards, 2 best organization awards and over 60 finalists awards as well as proof of participation. The Competition Organization Committee prepared sample reels for everyone and made winners feel the spirits of the competition. In future, it would turn global to enroll works into the database in the form of online works.

On 17 July, Fantasia reached a strategic cooperation with 77 Cultural Innovation Park at "Fantasia-77 Innovation Park Strategic Cooperation Conference"held at Art Museum of Beijing 77 Cultural Innovation Park. They initially identified the position of "Happiness Seven and Cultural Innovation Park",which indicated that the results of "Design for Happiness – Fu • Designs Collection for the Art Museum" would possibly be applied in this project.

In July, Ankangnian stations in Chengdu facilitated interactive sharing among community elderly and drove the development of neighbourhood by ways of themed watching movies "watching movies and knowing development of Party,jointly establishing new community", "Colorful Summer Holiday Children Activity" sand painting class, "Colorful Summer Holiday Children Activity" hand-making training, "colored drawing courtyard"environmental health inspection.

August 2017

From 1 August to 13 August, Ji'an Fantasia Hope Primary School held the 1st Colorful Summer Camp themed on "Promote and Develop Jinggang Spirits, Strive to be Self-improvement Teenagers". 40 children participated in this "art+military training+outdoor training"summer camp. This was the first try to have rural education matched with urban school and was also the first charitable activity of "Revisit Long March Road, Care about Leftover Children". There were about 20 voluntary representatives from Shenzhen Real Estate Company participated in this summer camp. They went deep into farm field, helped poverty students doing farm work, moved bricks and built houses, and pursued charitable activity earnestly.

During the period of 14 August to 17 August, more than 20 teachers and students of Fantasia Ji'an Hope Primary School came to Shenzhen to attend the city experience tour for 4 days with the theme "Experience City, Dream Future". This was also the 2nd charitable activity of "Revisit Long March Road, Care about Leftover Children".

In August, Shenzhen Fantasia Charity Foundation and Books with Love and liberated area initiated the "Benefit Books with Love to Society", activity, a community raising books and sending books to countryside and initiated to contribute unused children extracurricular books.

On 1 August, Ankangnian stations carried out a series of community children courses in summer holiday such as gesture language class, interest movie class, paper cuttings class, paper folding class, chess class eggshell painting class themed on "Colorful Children Activity in Summer Holiday" respectively and healthy knowledge lectures, and at the same time, made an achievement demonstration on 24 August and was widely accepted by community residents.

On 2 August, the "colored drawing courtyard" environmental health inspection sponsored by Guojielou District and assisted by Ankangnian Retirement Life Service Centre in Qingyang District commenced. The environment in each community was changed greatly through centralizing cleaning, appraising through comparison, beautifying well lids and cleaning garbage chamber for 10 days.

In August, Ankangnian Retirement Life Service Centre in Chengdu Qingyang District held the first volunteer training meeting for "refined scholar meeting in city, talents gathering in business street". Shuanglin Community of Shuangqiaozi sub-district office and Ankangnian Retirement Life Service Centre implemented public service capital project opening ceremony for "Neighbour Interactive Clarity and Space Construction".

In August, Ankangnian stations in Chengdu promoted to create community atmosphere and retirement service development in ways of "Exercise in Summer, Enjoy joyfulness" helping the handicapped, "Meeting Romance,True Interaction"Chinese Valentine's Day activities.

September 2017

From 21 September to 24 September, the 10th Fantasia Students Assistance Activity was held. More than 20 volunteers including employees, owners, customer representatives of Fantasia visited poverty students' families of Ji'an Hope Primary School to farming works. They subsidized 16 poverty students and brought 229 of shoe box gifts, 1,302 pairs of white shoes and 120 football jerseys. To improve children's health habit, Shenzhen Real Estate Company built students' bathhouses to solve the bath problem for 600 boarding students. Shenzhen Special Zone Daily published an in-depth coverage on this.

In September, Hehenian Credit of Fantasia small loan company started the "one transaction made, one to ten yuan donated" charitable campaign, which meant that when a single transaction is made, it would donate RMB1 to 10 to Fantasia Charity Foundation. It would make one good deed one day together with customers to make its finance business much warmer.

In September, Ankangnian stations in Chengdu deepened the mutual understandings among community residents and promoted neighbourhood and community relationship through various themed activities and daily activities such as "Deeply respect teacher, tenderly love students" Teachers' Day activity, "keep national humiliation in minds and enhance national defence" nationwide national defence educational day, "Civilized and moral construction, harmonious community creation" civic virtues propaganda day, Fantasia joyful charity projects opening ceremony, as well as happy chorus, hand-making classes and elderly regular functional training.

October 2017

In October, the 3rd quarterly activity "Climbing with love"for "Revisit Long March Road, Care about Leftover Children" started. Every volunteer in this activity would finish the mission of climbing mountains of 30,000 meters within one month and donated RMB40,000.

In October, combined with Chung Yeung Festival, Ankangnian stations in Chengdu carried out community cultural activities with the theme "Kangninglu North, Fantasia Lohas", "Warm golden autumn, respect the elderly" "Double Ninth Day for respecting the elderly', "Care about health and the elderly", "Respect the silver-gray hair in Double Ninth Day" in forms of travelling, morning exercises, visiting parks, hair cutting and themed birthday parties. And stations implemented poverty relief day promotion of "Timely help with great love and comfortable life in community" synchronously, and rendered services for the aged and semi-disabled people to enrich spare-time cultural life and promote community development.

On 26 October, culinary competition of Xiaojiahe Fellowship Community for "Looking for delicacy and taste happiness"of "My fellowship my home"series activity was implemented in Congdeyuan Square of Fellowship Community. Participants showed their capabilities and cooked dishes of delicious food and gained praise from guests. Winning prize winners received certificates and trophies.

In October, Ankangnian Guojielou Fantasia joyful charity class continued to proceed including innovative hand-making class, calligraphy class, silver-age maple string band, happy chorus, dance team, wechat study class, Taiji team. Aunts and uncles in community showed their capabilities and created diversified and joyful classes.

November 2017

On 5 November, Mr. Pan Jun, honorary chairman of Fantasia Charity Foundation and honorary principal of Fantasia Ji'an Hope Primary School heard the reports on work progress of Ji'an Hope Primary School in Jinggangshan. Leaders from Ji'an County Education Bureau introduced progress of requisition of land and promised to meet the demand of teachers' vacancy and resources in priority.

In November, Ji'an Hope Primary School started to upgrade and reform playground rubber track. Of which, the waterborne environmental plastic particle surface engineering would be donated by Suzhou Dacheng Company and the reformation of ground hardening and central artificial grass projects would be completed by the Foundation. The entire project was completed by Chinese New Year.

In November, Fantasia Charity Foundation and Fantasia Ji'an Hope Primary School launched the graduate tracking work and set up special wechat group to push students graduated from Fantasia Primary School to work in Fantasia and become a real "Fantasia Student".

On 25 and 26 November, the 2017 Fantasia diamond VIP customer appreciation meeting and supplier appreciation meeting were held in Guilin Lu lake. The videos "Fantasia Charitable Doers" for caring about left behind children were played again and again in the activity calling up the public to witness beginners' mind of business entrepreneurship with original intention of charity so as to facilitate development of Fantasia Ji'an Hope Primary School.

In November, complied with the demands of internet plus era, Fantasia Charity Foundation account launched the payment function of Zhifubao and titled "New love expression" on Thanksgiving Day to call up people to contribute loves to children in mountainous areas in form of Zhifubao micro-charity.

In November, Ankangnian stations showed their thankfulness for community servants, in particular, door guards who guarded their posts for community security with the themed "Thanksgiving from a detail", "be thankful and know love" through putting up propaganda posters, tea reception, playing games, memorizing the past and writing cards.

In November, Ankangnian stations also carried out the promotion of "Taking part in community fire-fighting and establishing safe homes" on fire service day, " 365 security guards" fire-fighting training, "Kangninglu North, Fantasia joyfulness" morning exercise, "Help residents and harmonious community" community charity innovative hand-making class, and held various Fantasia joyful charity class including innovative hand-making class, happy chorus, wechat study class, Taiji team, calligraphy class and silver-age maple string band aiming at mobilizing community residents to focus on security and health and enjoy life.

In November, the ranking of one good deed one day for Fantasia Holdings Group in the third quarter (from July to September) of 2017 was published with a total donation of RMB84,431.66. Of which, Fantasia Commercial Management Company excelled with the amount of RMB18,134.20 and followed closely by Fantasia China Group and Fantasia Real Estate Group Chengdu Company with their respective amount of RMB17,514.21 and RMB13,364.54.

December 2017

On 24 December, approximately 400 Fantasia senior management and excellent employees representatives from all over the world went to Fantasia Ji'an Hope Primary School and felt the historic development, future planning of the Group's charitable business over 11 years, and rooted this love and responsibility into their hearts by volunteer oath-taking ceremony. In the annual meeting of Fantasia Holdings, Fantasia China Group donated RMB120,000 to use for school playground upgrading and supported "running action" to help children grow up healthily.

In December, Ankangnian stations carried out the promotion of "Bear responsibility of protecting against AIDS and enjoy health rights" on AIDS Day, helping the handicapped activity of "Initiate new trend of helping the handicapped, create new love community", humanistic cultural activity of "Time goes by, flowers blossom in garden", New Years' activity of "dumpling banquet, happy new year", interesting sports meeting of "interesting in Shuangqiaolu North", and morning exercise of "Kangninglu North, Fantasia joyfulness", and organized "Congzhongxiao" dance team training, neighbourhood mutual help voluntary team, happy photography team, Wechat voluntary team, celebrating birthday for 100-year-old people, teaching community residents to precaution diseases. And at the same time, they organized community residents to welcome new year with positive and joyful attitude to improve life happiness and community relationship.

On 12 December, the "Fantasia joyful charity class" project of Ankangnian Guojielou Community came into its completion of schooling ceremony after lasting for several months. Xu, a director of the residential committee was invited to issue certificates to excellent students, outstanding individuals and leaders and encouraged community residents to participate in community cultural activities to establish warmer harmonious community.

Dear Shareholders

I. ASSET-LIGHT AND HEAVY, HIGHLIGHT PRINCIPAL BUSINESS, ENDEAVOUR TO BECOME "KING OF THE COMMUNITY"

2017 was a crucial year for the Company's second transformation. With the first transformation focusing on the theme of integrated community operation service, the Company completed one after another in-depth transformation of our matured business sectors and the exploration and the incubation of emerging business sectors. For the second transformation, under the background of a steady increase in light assets proportion, and at the same time developing the distinctive property business, the Company adhered to the "asset-light and heavy" strategy to integrate industrial and financial capital, whereby changing from a community service operator to an industrial financial group rooted in community services and building an industrial cluster system based on the Community Plus Strategy.

In 2017, amid changes in the overall property development market environment, on the one hand, the Group seized market opportunities to boost sales, with a view to accelerating cash turnover to satisfy its capital needs for rapid growth while securing a price premium at the same time. On the other hand, while insisting on fast turnover, the Company streamlined its product system gradually to shape the four product series including Jiatianxia, Xingfu Wanxiang, Huayang Jinjiang as well as the artificial intelligence and intelligent community. In the Property Plus sector, the Company also shifted towards the diversified development of asset operation, industry property operation, project cooperation and development and other property related value chain services, with a view to building and establishing a sophisticated intelligent community.

Shenzhen Lung Kei Sea

For the community service sector, Colour Life Services Group focused its efforts on improving the service cohesiveness and customer experience of the Group's online and offline services. For the online services, the user scale of the Caizhiyun (彩之雲) platform maintained a rapid growth, and the online ecosystem and value-added service achieved or outperformed its annual target. For the offline services, the Group focused on carrying forward the operation measure centering on customer satisfaction improvement, which showed significant improvement as compared to the previous years in its overall customer satisfaction level.

For the year ended 31 December 2017, for the real estate business, the Company achieved a total contracted sales area of 1,909,998 sq.m. and total contracted sales of RMB20,164.3 million in total, representing a year-on-year increase of 44.1% and 65.2% respectively, once again exceeded its annual sales target. At the same time, on 18 December 2017, Fantasia Holdings Group Co., Limited (stock code: 1777) and Colour Life Services Group Co., Limited (stock code: 1778) jointly announced that, Colour Life will issue a total of 231,500,000 new Colour Life Shares (consideration shares) at HK$5.1 per Colour Life Share to Fantasia to settle part of the consideration (approximately RMB1 billion) on behalf of Wanxiangmei Management Co., Ltd. (formerly known as Wanda Property Management Co., Ltd.). This move had fully reflected Fantasia's solid confidence on Colour Life to continue maintaining a rapid growth in future, as well as highly recognising Wanxiangmei in sustaining its fast development. By co-developing with the community service industry, Fantasia fostered the organic commercial ecosphere rooted in "Community Plus" and provided services covering the whole life span of customers through integrating the core resources in eight business segments and cross segment business.

II. RESULTS AND DIVIDENDS

For the financial year ended 31 December 2017, the Company recorded revenue of approximately RMB9,783 million, representing a decrease of 10.4% over last year. Net profit attributable to owners of the Company for the year amounted to RMB1,154 million, representing an increase of 43.3% over last year. To reward the Company's shareholders for their support, the Board of Directors of the Company proposed a final dividend of HK7.00 cents per share in respect of the year 2017, subject to shareholders' approval at the upcoming annual general meeting.

III. MARKET AND BUSINESS REVIEW

In 2017, the recovery in global manufacturing industry and the overall world economy was boosted by a significant increase in global economic growth, constant improvement in labour market, moderate increase in global price level, growth in bulk commodity price as well accelerated growth in international trade. Meanwhile, international direct investment grew slowly with global debts continued to accumulate, while bubbles were seen in financial markets. In light of a stable political development in Europe, the strength for maintaining unity, stability and openness of Europe gained political advantageous position and the Eurozone's economy witnessed a better than expected recovery. Since the China government adopted positive fiscal policies and some initial results emerged in the aspect of the new development philosophies and supply-side structural reform, coupled with the factors such as the recovery in external demand, the China's GDP recorded an increase but not a reduction in terms of its growth rate in 2017. In general, China was experiencing a stable macroeconomic development with deep structural adjustment in which it had accelerated the accumulation of new development momentum.

Under such background, by adhering to the corporate vision of "becoming an interesting, tasteful, resourceful leader in living space and experience", the Group made active adjustment to its corporate operation strategies and promoted the dual strategic rapid development to drive the one light and one heavy "property development plus community service" businesses and achieved outstanding results.

In 2017, the property market emphasised on the keynote of "houses are for living and not for speculation". Local governments regulated the urban clusters by changing from curbing traditional demand to increasing supply-side reform, tightened the restrictions on house purchases, mortgage loans and house selling, as well as accumulated land auction, and optimized supply structure, which gradually seen emerging regulation results. At the same time, the connection between short-term regulation and long-term mechanism became closer. Numerous efforts were put in fostering and developing the housing rental market, deepening the development of joint ownership housing piloting. Whilst controlling housing price level, the multi-layer housing supply system was perfected and the property system for renting and buying was established, with a view to promoting the establishment of a sound long-standing mechanism. In terms of transactions, first-tier cities witnessed an obvious shrinkage in transaction scale, while third- and fourth-tier cities showed a recovery under the support of the easing policy environment and monetary compensation for shanty area renovation, which boosted the soaring sales area nationwide. The land trading scale recorded its first growth in recent four years, which mitigated the supply pressure but risks remained in high-price land.

The above economic evolution and development characteristic of the property business sector coincided with Fantasia's prediction made at the beginning of the year. Adhering to its persistent strategy, Fantasia continued to focus its resources on the five most active economic development regions, namely Pearl River Delta, Yangtze River Delta, Bohai Rim Metropolitan Area, Chengdu-Chongqing Economic Zone and Central China Economic Area. It has already entered the first and second-tier cities or core cities regions such as Beijing, Shanghai, Shenzhen, Wuhan, Tianjin, Dongguan, Huizhou, Chengdu, Suzhou, Wuxi, Nanjing, Guilin, Dali, Ningbo, and maintained its annual pace of entry into 1–3 core cities to continuously expanding its vertical strategic move. Throughout the year, the Pearl River Delta, Yangtze River Delta and Central China were still the main contributors to Fantasia's annual sales, the revenue from contracted sales in first-tier cities accounted for approximately 1/4, while the sales of boutique upscale residences projects accounted for approximately 2/3. The land layout of Fantasia was located in the first and second-tier economically developed core cities and inflow of population, where they have sufficient rigid demand and need for improvement. It will respond to the national regulatory control policy stance for the property market of "houses are for living and not for speculation" since the 19th National Congress of the Communist Party of China, launch marketable housing products to meet current needs.

As at 31 December 2017, for the real estate business, Shenzhen Fantasia Real Estate Group Company Limited, a subsidiary of the Group, achieved contracted sales area of 1,909,998 sq.m., and achieved contracted sales of RMB20,164.3 million with an increase of 65.2% as compared to last year, exceeding its annual sales target.

Through its dedication in providing consistent quality products and services in the past year and its future growth potential, Fantasia was highly regarded by media and capital market. On 16 March 2017, Fantasia ranked among the "Outstanding Company with Light Asset Operations in 2017" (2017輕資產運營優秀企業), and was awarded "China's Top 100 Real Estate Companies" (中國房地產百強企業) for nine consecutive years at the Research Results Release Conference of Top 100 China Real Estate Enterprises for 2017 cum the 14th session of Top 100 China Real Estate Entrepreneurs Summit jointly host by the Development Research Center of the State Council, Institute of Real Estate Studies at Tsinghua University and China Index Academy. Moreover, based on its good operating conditions and sound financial position, Fantasia Group was also awarded the titles of "China's Top 100 Real Estate Companies in 2017 – TOP 10 in Financing Capability (2017中國房地產百強企業－融資能力TOP 10) and China's Top 100 Real Estate Companies in 2017 – TOP 10 in Stability".

1. Endeavour to become a leading community "smart" player in China by managing both light and heavy assets simultaneously with innovative development models

Fantasia Group actively responded to the policy principle of "houses are for living and not for speculation". Through active resources integration and innovative development models, the Group conducted in-depth researched and development based on product functional applications for the property development segment with diversified business models to proactively contribute to enhancing the living environment and social progress, which had significantly improved the happiness index to the living of every owner and customer.

In the normal residential development aspect, Fantasia focused on the development of "Community Plus caring" for every family and emphasized the concept of community life as the spiritual advocation and value appeal extended from "house and residence" to create family and community that render the sense of happiness. Through the integration and improvement of community facilities, the Group integrated caring service, community organization and community needs into a wonderful community life scene, so that the living needs and spiritual needs of community residents in Fantasia community could be satisfied to the maximized extent in the community, and actively advocated the community values of "Environmental Conservation, Fraternity, Respect, Sharing, and Public Welfare". The "Jiatianxia of Fantasia" product series had basically been improved and set foot in many cities such as Chengdu, Huizhou and Shenzhen with society recognition.

In order to meet the living needs of the new generation of major property groups, Fantasia studied and formed the development model for Xingfu Wanxiang product series, gave full consideration to every aspect of clothing, food, housing, transportation and living in the process of product details developing, so as to provide users a safe, healthy, convenient and exclusive living experience. In addition, Fantasia fully integrated resources, integrated financial operations, truly realized the sustainable operation of property and practically guaranteed the revenue of investors. In future, Fantasia will model on Xingfu Wanxiang to research and develop livable products targeting the elderly, singles, young entrepreneurs and other customers to meet the happy living of social groups at all levels.

Fantasia adhered to a high sense of social responsibility and set foot in the macro-development strategy. It effectively utilized urban social resources in integrated development areas such as small-town communities and industrial communities and fully integrated the advantages of real estate development to create projects such as a cultural and tourism resources small town- Chengdu Grande Valley, intelligent creation industrial space- Shenzhen Anbo Plaza, which made great contributions in improving the living environment of local residents, urban construction, industrial upgrading and employment facilitation.

2. Continuously consolidated its advantage in community service to develop thoughtful constructions and community with caring

In August 2016, Fantasia Property consortium successfully acquired Wanxiangmei. After more than a year of hard work, Fantasia successfully consolidated and transformed Wanxiangmei with the speed of process and efficiency exceeding expectations. On 18 December 2017, Fantasia Holdings Group Co., Limited (01777.HK) and Colour Life Services Group Co., Limited (01778.HK) jointly announced that Color Life will issue a total of 231,500,000 new Colour Life Shares at HK$5.1 per Colour Life Shares (Consideration Shares) to Fantasia to settle part (approximately RMB1 billion) of the consideration for consolidating Wanxiangmei Management Co., Ltd. (萬象美管理有限公司) (formerly Wanda Property Management Co., Ltd. (萬達物業管理有限公司).

On one hand, Fantasia and Colour Life succeeded in integrating, transforming and consolidating Wanxiangmei, which fulfilled Fantasia's commitments to investors and shareholders during the acquisition and reflected the strong advantages of Fantasia and Colour Life in merger and acquisition and integration. On the other hand, by leveraging on strong community foundation, Colour Life is developing into a technology output internet platform by asset-light. The housing pattern and partner system of Colour Life will become an important way for its expansion of asset-light.

As at 31 December 2017, Colour Life had 440.0 million sq.m. contracted management area serving 2,384 communities and covering a total of 222 cities, initially forming a regional layout covering regions such as Eastern China, Southern China, Northwestern China, Southwestern China, Northeastern China, Northern China, Central China, Singapore and Hong Kong.

Furthermore, the registered users of Caizhiyun increased to 10.34 million, of which 3.494 million were active users, representing an increase of 241.7% and 101.2% respectively as compared to the end of 2016, with high degree of activeness. The revenue of the value-added business of Caizhiyun in 2017 amounted to RMB276.8 million, recording 76.5% year-on-year (YoY) growth and a high gross profit margin of 82.0%, attributable to 42.9% of Colour Life's profit and remained the second largest source of income and revenue. Colour Residence and Colour Wealth Life, the core products of Colour Life, continued to maintain their rapid development momentum in the first half of 2017. As at 31 December 2017, the new cumulative turnover of "Colour Wealth Life Value-added Plan" amounted to RMB5.68 billion. Meanwhile, Colour Life Residence signed agreements with 41 property developers and changed the sales practice of being a one-off property developers to "Flats Plus Service" sales model, and total house sales reached 10,057 units in 2017.

Colour Life Services Group achieved breakthroughs in traditional industry barriers of the industry and established a brand new property service model based on the internet technology, Internet of Things technology and cloud computing technology today-Colour Life Service Model. Colour Life Services Group changed "management of things" to "services for people", developed and operated the Caizhiyun community services platform, Colour Life maintained its revenue from services for basic properties while boosting its revenue from value-added services, with businesses covered nationwide community housing, leasing and asset management services and many other innovative sources of income, the asset-light model of Colour Life opened the service and platform for radiating the communities beside Colour Life.

In future, Fantasia will further enhance customer retention and community satisfaction services, consolidate its leading position as a leading community service operator in the PRC, and enhance the service capability and business layout of community platform of Colour Life. The property management industry is gradually integrated from managing area to community services, the essential development direction of that is improvement in traditional property management industry profitability by new business model. Differentiation and integration within the industry will speed up, the expansion difficulty for property management companies with weaker operation capacity and could not establish community service ecology will increase. Colour Life, with a clearer community service business model, will once again expect to lead the changing of the entire industry to change.

In March 2017, Colour Life was proudly enlisted as one of Forbes 100 Most Promising Listed Companies with its unique ecological path, proven business model and foreseeable growth.

3. Focused on community financial ecosystem while science and technology financial platform was formed

As an operator focusing on community financial services, of Shenzhen Color Pay Technology Co., Ltd.* (深圳市彩付寶科技有限公司), a member of community finance services of the Group, (herein after referred to as "Color Pay") has built a community-based science and technology financial platform by focusing on community financial ecosystem since its establishment, leveraging on its advanced Internet, big data technology and strong offline property community resources and linking the specific demands of owners, SMEs, agents and partners through community. Color Pay Technology provides unique "Community Plus Finance" scenario service, with its businesses covering investment and financing, third-party payment, online microfinance, private placement and other sectors. Up to now, Color Pay Technology has provided high quality financial services to nearly 4,000 community resources nationwide.

Qian Sheng Hua (錢生花), the online financial platform of Color Pay Technology, covers the mainstream online channels such as PC based computer and app-based mobile phone channels. In the first half of the year, the number of newly registered users of Qian Sheng Hua increased by 1,220,000, brought in total investment of RMB8.135 billion. Heying Financial Leasing (合盈融資租賃) witnessed its rapid business development in 2017 and achieved breakthroughs in new energy and new technology industries, with the contracted amount exceeded RMB1,000 million. In the first half of the year, Zhong An Xin (中安信), an insurance broker, had set up new teams for its business lines, completed the facilitation and consolidation of many businesses and positive results are expected.

In addition, community finance made a major breakthrough in obtaining licenses. In September 2017, Color Pay Technology obtained the online microfinance license. This was the second strong commitment after obtaining the licenses for third-party payment, private placement funds, insurance brokers, vehicle leasing and pawn-loaning. It also demonstrated that the community finance of Fantasia proactively "embraced regulation", actively respond to national inclusive finance policy and broke the regional restrictions for the benefits of users under the prerequisite of compliance.

In future, through continuous efforts in resources integration and model innovation, the community finance of Fantasia will steadily expand its finance businesses by means of strategic investment, cooperation and merger & acquisition, forming in-depth synergy with other business segments of the Group.

4. Enhancing asset operation capability to boost Home E&E business model innovation

In 2017, Jianian CEO resort hotel and Jianian CEO city boutique hotel/apartment, the hotel brands of Home E&E Commercial Services Group (美易家商務服務集團), a company held by Fantasia, committed to providing customers an elegant, high quality, healthy and comfortable, unique quality and deep sleep experience by adhering to the customer core value of "enjoy the perfect business trip". At the same time, Meizhinian Asset Management Co., Ltd.* (美之年資產管理公司), a company controlled by Home E&E, capitalized the management of all Business Plus Office Plus Apartment and other properties by its asset management model, which is to provide operation service value with entire life cycle around financial attribute of real estate for assets. Home E&E used its customer resources and expertise accumulated through its property services enterprises to provide owners with traditional property management and real estate investment and wealth management services. It can be said that Meizhinian promoted Home E&E to change from a simple commercial property service to property asset operator.

5. Managing both light and heavy assets simultaneously, integrating industrial and financial sectors and accelerating layout setting

In 2017, Fantasia Business Management has cumulatively managed 40 output projects by more active expanding its business asset-light project. Its geographic location covered provinces such as Tibet, Jiangxi, Jilin, Jiangsu, Sichuan, Zhejiang, Guangdong, Hunan and Guizhou. Among which, the occupancy rate of Nanjing OMG Mall, the business complex, was over 90% and has become a renowned local business benchmark. In particular, "Jiangsu Yangzhou Joy Commercial Plaza", "Jiangsu Yangzhou Libao Commercial Plaza" and "Lhasa Fantasia World Outlets" have opened for business. In addition, Yangzhou Jiangwang Peninsula and Kunming Lingxiu Town have been scheduled to open for business, and more than 10 projects including Hunan Yongzhou Spring Square are under development.

In an effort to promoting the business development of FuNian Jet Aviation comprehensively Fantasia Cultural and Tourism Company (花樣年文化旅遊公司) (hereinafter referred to as "Cultural and Tourism Group") applied for trademark registration and business license for FuNian Jet Aviation and achieved initial results. FuNian Jet Aviation is principally engaged in aircraft escrow, charter flights and special tourism projects while developing aviation maintenance, aviation training and other related business. Meanwhile, for the external service of accommodation brand resources owned by Cultural and Tourism Group, such as U Hotel, Geyuan Hotel and Jianian CEO of Home E&E Group, Fantasia has strategically focused on the operation and holding of residential apartments and integrated internal accommodation resources to achieve size effect, optimize processes and improve management efficiency. This serves the purpose of introducing service concept and essence of the Fantasia into the operated and owned residential apartments for successfully enhancing customer satisfaction and enlarging and strengthening the brand.

For the community retirement service, in accordance with the national plan on services for elderly people, Fantasia Group has initially formed the retirement life services model based on institutional service and centered on community service and homecare service. It has piloted in Chengdu and Nanjing and currently has a retirement home and 12 day-care centres, 4 homecare centres, servicing tens of thousands of professional retirement service providers and operating agencies. The strategy of retirement service of Fantasia was to take institutional service as a resource platform for extending to community service and homecare service to achieve urban coverage, regional radiation and community embedding.

In 2017, with the rapid development of the community education, the second child growth experience center in Dongguan, Guangdong Province was put into operation, signifying the growing influence of its community education in Southern China. Vocational education continuously delivered high-quality service talents to serve communities and new community interaction patterns through training of high-quality family service personnel, and completed the designs on a series of new service products and investment in online platform in 2017.

IV. SOCIAL RESPONSIBILITY

1. Integrating resources to fulfill social responsibility

In 2017, Shenzhen Fantasia Charity Foundation (深圳市花樣年公益基金會), a platform for Fantasia Group to fulfill its social responsibility, and Shenzhen Fantasia Real Estate Co., Ltd* (深圳市花樣年房地產開發有限公司) jointly initiated the tenth Student Education Fund Tour (愛心助學行) of Fantasia, a group consisting of more than 20 people with charity care of Fantasia and many people from the society arrived at Ji'an Fantasia Hope Primary School to conduct the one to one help on impoverished students, which started the tenth charity trip. Fantasia Group together with Alxa SEE initiated the Dolphin Caring Action (豚愛行動), all donations raised were donated to Alxa SEE Foundation to support the Thousand Managers of Finless Porpoise Program (江豚管家千人計劃). Fantasia continued to contribute to the society, and was committed to becoming an important charity care company for promoting the progress and sustainable development of the society through public charity activities such as the tenth Student Education Fund Tour (愛心助學行) of Fantasia.

2. Environmental conservation

As a socially responsible public enterprise, the Company has, since its establishment, always placed high regard on the issue of environmental conservation during the course of its operation and provision of services. The Company proactively educates its management and staff about environmental conservation and mobilizes its staff and the public to protect the environment. The Company is committed to becoming an important force and organizer for environmental conservation, proactively participates in environmental enhancement activities and undertakes its social responsibility for environmental conservation actively. Environmental protection has now become one of the cornerstones of the Company's manifested corporate responsibility policy, and on this basis, the Company formulates relevant policies to ensure its enforcement. According to the Environmental Protection Law of the People's Republic of China and other relevant regulations and the Company's environmental protection policy, during business operation, Fantasia implements the principle of environmental conservation mainly through the following aspects:

Be aware of the latest laws and regulations and ensures that they are complied with and implemented by cooperating partners and employees; providing employees with regular training regarding environmental protection and safety so as to enhance the environmental awareness of individual employee and the Company in general;

Incorporate green elements into the development plans of the projects and take factors such as project design, the greening of the peripheral and include green facilities into consideration during project planning;

During project construction and operation, implement environmental and safety control at the construction site, educate construction workers about environmental conservation and practicing environmental conservation management and introduce green and innovative construction methods in order to develop trial runs of residential housing industrialization and to achieve environmental protection, water conservation, energy saving and emission reduction;

Be aware of the air quality at indoor environment, adopting green designs and green building materials so as to ensure all residents and employees enjoy a healthy living environment;

The Company puts emphasis on the recycling and reusing of resources, advocating an environmental-friendly corporate culture. Employees of the Company should conserve water and electricity. To use environmental friendly recycled materials during the operation of the community services and pay constant attention to the new development in the recycling technology industry and their applications;

The Company attaches great importance to promoting environmental conservation and enhances environmental awareness of the clients when it provides community services in hopes of reducing energy consumption without compromising the quality of services.

Fantasia adheres to the principle of sustainable development and, according to its corporate responsibility policy, encourages employees, cooperating partners and clients to maintain high environmental protection standards.

3. Relationships with cooperating partners, consumers and employees

During its course of operation and development, not only does Fantasia care about business performance, it also values the building of foundation for sustainable development – the establishment and maintenance of a positive relationship with cooperating partners, consumers and employees.

Committed to becoming an interesting, tasteful, resourceful leader in living space and experience, the Company treats its employees and cooperating partners in a fair and respectful manner, provides its employees with a working platform where they can put their talents to good use and uncover their potential, and strives to establish a mutually-beneficial long-term business relationship with the cooperating partners.

The Company offers a living space and experience which is unique and tasteful with inner-depth to customers who pursue value. By innovating our models with in-depth observation of human nature and internet thinking, the business models become more creative, which provides the customers with a uniquely stylish, rich and rewarding living space and living experience full of pleasant surprises and establishes a closer bonding between the Company and the customers. Fantasia consolidates and coordinates the resources of various sectors including the sector of community services, finance, business, cultural tourism and elderly service in an innovative way with an aim at optimizing the experience of the customers in order to enhance the customers' recognition of the Company.

Meanwhile, the Company will, in accordance with relevant laws and internal regulations, endeavour to prevent improper transfer of benefits between its employees and cooperating partners, consumers, so that their mutual relationships can be kept in an honest, justice and transparency manner.

V. OUR BUSINESS DEVELOPMENT IN FUTURE

In 2017, the macroeconomy entered into recovery period, a new round of macroeconomic prosperity cycle started and the overall economic environment was sound. For the real estate development, from the policy aspect, the "four restrictons" policies of "restricted purchase, restricted overseas purchases, restricted loans, and restricted prices" would be further spread out in second and third-tier cities, and the relevant policies on leasing in the housing market were also continuing to be promoted. For the central policies, the 19th National Congress of the Communist Party of China set a target of "houses are for living and not for speculation", all future policies would focus on this target and the long-term mechanism of real estate would be launched at an accelerated pace. For the market, the combination of destocking and supply-side reform brought structural opportunities. The construction of large-scale urban clusters as a result of limited capacity in first-tier cities would inevitably bring about major changes in industry, population and transportation layouts. In the next 2-3 years, the urban and core urban circles in second and third-tier cities will still have structural market opportunities, certain opportunities would exist in lands value, comprehensive development in the parks and special towns. The Company would practice its persistent strategy, profoundly understand the strategy of city circles, and layout the land and industrial resources around city centres, peripheral sub-centers and small towns.

For the community service, there is still huge potential for capacity and incremental market development, which are still in a period of rapid growth. Fantasia brought its existing community advantages into full play to achieve integration and synergetic development of capital and brand of the community service segment, achieve complete coverage of the community service sub-segments, form a community service ecosystem and finally form the largest integrated community operator in the world.

2017 was the inaugurated year of the second phase of transformation of the Company's strategic plan for 2012–2020. The proportion of asset-light of the Company steadily increased and the light and heavy strategic business pattern was basically formed. The community service platform was propelled in an orderly manner. The industry structure and hierarchy were clear. Investment, development and operation started to kick off rapidly, and funds, assets and capital were stared on a rolling basis. Looking forward, 2018 will be a critical year of the development and expansion stage. Through integrating our internal and external resources, the Company will form an organic ecosystem backed by two major business systems of light and heavy. While establishing, adjusting and improving the business structure and levels, the Group will realize the effective integration and synergy of its business system and business model through strategic cooperation and mergers and acquisitions to establish a multi-capital platform and multi-brand service system to realize the effective circulation and enlargement of the Group's "funds, assets and capital" and make Fantasia Group the industrial financial group backed by integrated community industry and focused on living space and experience.

VI. APPRECIATION

The development of Fantasia is inseparable from the full support of all society sectors and contributions made by employees at all levels through their dedications. On behalf of the Board of Directors, I would like to take this opportunity to express our heartfelt thanks to all shareholders, investors, partners and customers for their trust and support. The Group will continue to maintain its foothold in organic business ecosystem of Community Plus Strategy to integrate core resources with its eight business segments and cross-segment businesses, and provide services that cover the entire life cycle of customers. In future, the Group will facilitate its assets appreciation by focusing on three pivots of "developing community service platform" "building intelligent community" and "establishing community payment system, "Creating Value with Aspirations", Fantasia will be dedicated to maximize the value and create the best return for every shareholder and investor.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly consists of revenue derived from the (i) sales of our developed properties, (ii) lease of investment properties, (iii) provision of property agency and related services, (iv) provision of property operation and related services, (v) provision of hotel management and related services and (vi) provision of travel agency service respectively. For the year ended 31 December 2017, revenue of the Group amounted to approximately RMB9,783 million, representing a decrease of 10.4% from approximately RMB10,921 million in 2016. Profit for the year attributable to the owners of the Company was approximately RMB1,154 million, representing an increase of 43.3% from approximately RMB806 million in 2016.

Property Development

The Company recognised revenue from the sale of properties when significant risks and rewards of ownership have been transferred to purchaser, i.e., when relevant property has been completed and the possession of the property delivered to purchaser. Revenue from property development represents proceeds from sales of the Group's properties held for sale. Revenue derived from property development decreased by 21.1% to approximately RMB6,598 million in 2017 from approximately RMB8,366 million in 2016, which was primarily due to the reduced number of newly-recognised properties brought forward to this year as compared to last year.

	2017			2016		
	Total Revenue	**GFA sold**	**Average Selling Price**	**Total Revenue**	**GFA sold**	**Average Selling Price**
	RMB'000	**Square meters**	**RMB/ square meter**	**RMB'000**	**Square meters**	**RMB/ square meter**
Chengdu Future Plaza 成都香年廣場	–	–	–	4,386	488	8,984
Huizhou Fantasia Special Town 惠州別樣城	20,466	2,096	9,763	56,553	6,355	8,899
Chengdu Fantasia Town 成都花樣城	17,815	2,082	8,557	39,532	7,847	5,038
Dongguan Wonderland 東莞江山	7,277	1,103	6,597	17,971	1,155	15,564
Wuxi Love Forever 無錫花郡	–	–	–	92,574	20,745	4,462
Suzhou Lago Paradise 蘇州太湖天城	259,397	14,421	17,987	353,398	42,267	8,361
Dongguan Mont Conquerant 東莞君山	8,401	905	9,288	–	–	–
Chengdu MIC Plaza 1 成都美年國際廣場	–	–	–	92,710	10,001	9,270
Chengdu Grande Valley 成都大溪谷	393,724	35,982	10,942	61,350	8,235	7,450
Chengdu Belle Epoque 2 成都君山	1,520	165	9,227	21,434	7,222	2,968
Chengdu Funian Plaza 成都福年廣場	59,905	23,597	2,539	–	–	–
Chengdu Flower Garden 成都花好園	4,128	1,357	3,043	918	401	2,292
Chengdu Love Forever 成都花郡	624	156	4,003	2,161	506	4,270

	2017			2016		
	Total Revenue	**GFA sold**	**Average Selling Price**	**Total Revenue**	**GFA sold**	**Average Selling Price**
	RMB'000	**Square meters**	**RMB/ square meter**	**RMB'000**	**Square meters**	**RMB/ square meter**
Chengdu Xinian Plaza 成都喜年廣場	–	–	–	1,308	94	13,951
Tianjin Love Forever 天津花郡	277,898	43,445	6,397	223,441	43,972	5,081
Wuxi Hailrun Plaza 無錫喜年廣場	4,667	665	7,022	163,842	29,108	5,629
Huizhou Love Forever 惠州花郡	17,606	1,408	12,509	16,992	3,353	5,067
Guilin Fantasia Town 桂林花樣城	36,915	3,482	10,600	282,505	66,212	4,267
Nanjing Yuhuatai Project 南京花生唐	–	–	–	3,524	120	29,356
Dali Human Art Wisdom 大理藝墅花鄉	3,427	355	9,653	–	–	–
Guilin Lakeside Eden Community 桂林麓湖國際社區	540,416	100,954	5,353	642,530	137,306	4,680
Chengdu Longnian Plaza 成都龍年廣場	606,420	108,312	5,599	543,275	130,750	4,155
Huizhou TCL Project 惠州TCL項目	1,514,775	174,525	8,679	888,723	148,596	5,981
Wuhan Love Forever 武漢花郡	99,599	7,903	12,602	999,925	106,872	9,356
Wuhan Love City 武漢花樣城	766,380	91,614	8,365	936,236	171,178	5,469
Shenzhen Longnian Building 深圳龍年大廈	7,059	493	14,315	48,550	3,169	15,321
Shenzhen Lonqiwan 深圳龍岐灣	156,529	2,563	61,080	149,092	2,639	56,503
Shenzhen Lenian Plaza 深圳樂年廣場	139,634	6,806	20,516	529,560	26,003	20,365
Ningbo Love Forever 寧波花郡	8,132	682	11,925	730,589	79,829	9,152
Suzhou Xinian Plaza 蘇州喜年廣場	130,388	7,685	16,967	1,445,989	79,647	18,155
Novena Love Forever 新加坡花郡	627,722	5,072	123,762	–	–	–
Nanjing Xinian Center 南京喜年中心	830,752	44,534	18,654	–	–	–
Other (including sales of car parks and construction of relocation housing)	54,894			16,886		
	6,598,470			**8,365,954**		

Property Investment

Revenue generated from property investment increased by 0.6% to approximately RMB243 million in 2017 from approximately RMB242 million in 2016. The increase was primarily due to additional area of investment properties leased externally.

Property Agency Services

Revenue derived from property agency services increased by 116.5% to approximately RMB58 million in 2017 from approximately RMB27 million in 2016. The increase was primarily due to the increase in the number of communities that the Group had provided agency services and management services to.

Property Operation Services

Revenue derived from property operation services increased by 22.0% to approximately RMB2,015 million in 2017 from approximately RMB1,652 million in 2016. The increase was primarily due to the expansion of its property segment and the increase in both the GFA of the properties under the Group's management and the scope of value-added services provided in 2017.

Hotel Operations

Revenue derived from hotel services increased by 17.7% to approximately RMB134 million in 2017 from approximately RMB114 million in 2016. The increase was primarily due to the enhanced popularity of the Four Points by Sheraton Chengdu Pujiang Resort and the noticeable growth in its revenue since its opening in late 2016 as well as optimization of hotel assets by closing ill-operated hotels.

Others

It principally involved Morning Star acquired in end December 2015 and American ASIMCO Investments III Ltd. acquired in June 2016.

Gross Profit and Margin

Gross profit decreased by 17.9% to approximately RMB2,898 million in 2017 from approximately RMB3,528 million in 2016, while the Group's gross profit margin was 29.6% in 2017 as compared to a gross profit margin of 32.3% in 2016. The decrease in gross profit margin was due to lower gross profit of newly-recognised properties brought forward to 2017 as compared to last year.

Other Income, Gain and Losses

In 2017, the Group recorded other net gain of RMB1,009 million, (2016: net loss of RMB585 million). Such a difference was mainly attributable to the exchange gain of RMB599 million in 2017 (2016: exchange loss of RMB666 million) and the acquisition of Shenzhen Xingfu Wanxiang Investment Partnership Co., Ltd., and Nanjing Zhongchu Real Estate Development Co., Ltd. which changed from joint venture enterprises to subsidiaries with gain on remeasurement of RMB459 million and RMB103 million respectively.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 87.6% to approximately RMB418 million in 2017 from approximately RMB223 million in 2016. The increase was mainly due to the increase in advertising expenses of physical-form advertisements, sales agency fee and other expenses.

Administrative Expenses

The Group's administrative expenses increased by 44.5% to approximately RMB1,230 million in 2017 from approximately RMB851 million in 2016. This increase was mainly due to the increase in staff headcount that required to support the scale of the Group's operation due to expansion during its development and transformation to become a community-based company.

Finance Costs

The Group's finance costs increased by 37.3% to approximately RMB1,280 million in 2017 from approximately RMB932 million in 2016. The increase in finance costs was mainly due to the increase in average annual balance of interest-bearing liabilities, which offsets the effect arising from the slight decrease in overall interest rate.

Income Tax Expenses

The Group's income tax expenses decreased by 19.7% to approximately RMB1,157 million in 2017 from approximately RMB1,442 million in 2016. This decrease was mainly due to more non-taxable income generated in 2017 as compared with the corresponding period of last year, as well as sales decrease in real estate market in 2017 as compared to last year which led to a synchronous decrease in EIT and LAT.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by 43.3% from approximately RMB806 million in 2016 to approximately RMB1,154 million in 2017.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2017, the Group's bank balances and cash were approximately RMB16,442 million (2016: approximately RMB11,134 million), representing an increase of 47.7% as compared to that as at 31 December 2016. A portion of the Group's cash is restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits are related to.

Net Gearing Ratio

The net gearing ratio was 76.0% as at 31 December 2017 compared to that of 83.0% as at 31 December 2016, representing a substantial decrease of 7.0 percentage points. The net gearing ratio was measured by net debt (total borrowings, senior notes and bonds and assets backed securities issued, net of bank balances and cash and restricted/pledged bank deposits) over total equity.

Borrowings and Charges on the Group's Assets

As at 31 December 2017, the Group had an aggregate borrowings, senior notes and bonds and assets backed securities issued of approximately RMB9,864 million (31 December 2016: approximately RMB3,367 million) and approximately RMB19,805 million (31 December 2016: approximately RMB18,380 million) and approximately RMB228 million (31 December 2016: approximately RMB275 million), respectively. Amongst the borrowings, approximately RMB3,022 million (31 December 2016: approximately RMB929 million) will be repayable within one year, approximately RMB6,718 million (31 December 2016: approximately RMB2,336 million) will be repayable between two to five years and approximately RMB124 million (31 December 2016: approximately RMB103 million) will be repayable after five years. Amongst the senior notes, approximately RMB4,484 million (31 December 2016: approximately RMB1,575 million) will be repayable within one year and approximately RMB15,320 million (31 December 2016: approximately RMB16,804 million) will be repayable after one year.

As at 31 December 2017, a substantial part of the borrowings were secured by land use rights and properties of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group through pledging their shares.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits, borrowings, obligations under finance leases and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. During 2017, exchange rates of RMB against U.S. dollar and Hong Kong dollar decreased significantly and exchange gain of RMB599 million was generated.

Commitments

As at 31 December 2017, the Group had committed payment for the construction and land development expenditure amounting to approximately RMB2,672 million (2016: RMB1,604 million).

Contingent Liabilities

As at 31 December 2017, the Group had provided guarantees amounting to approximately RMB7,297 million (2016: approximately RMB6,258 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the year ended 31 December 2017 as the default risk is low.


Shenzhen Family Isall

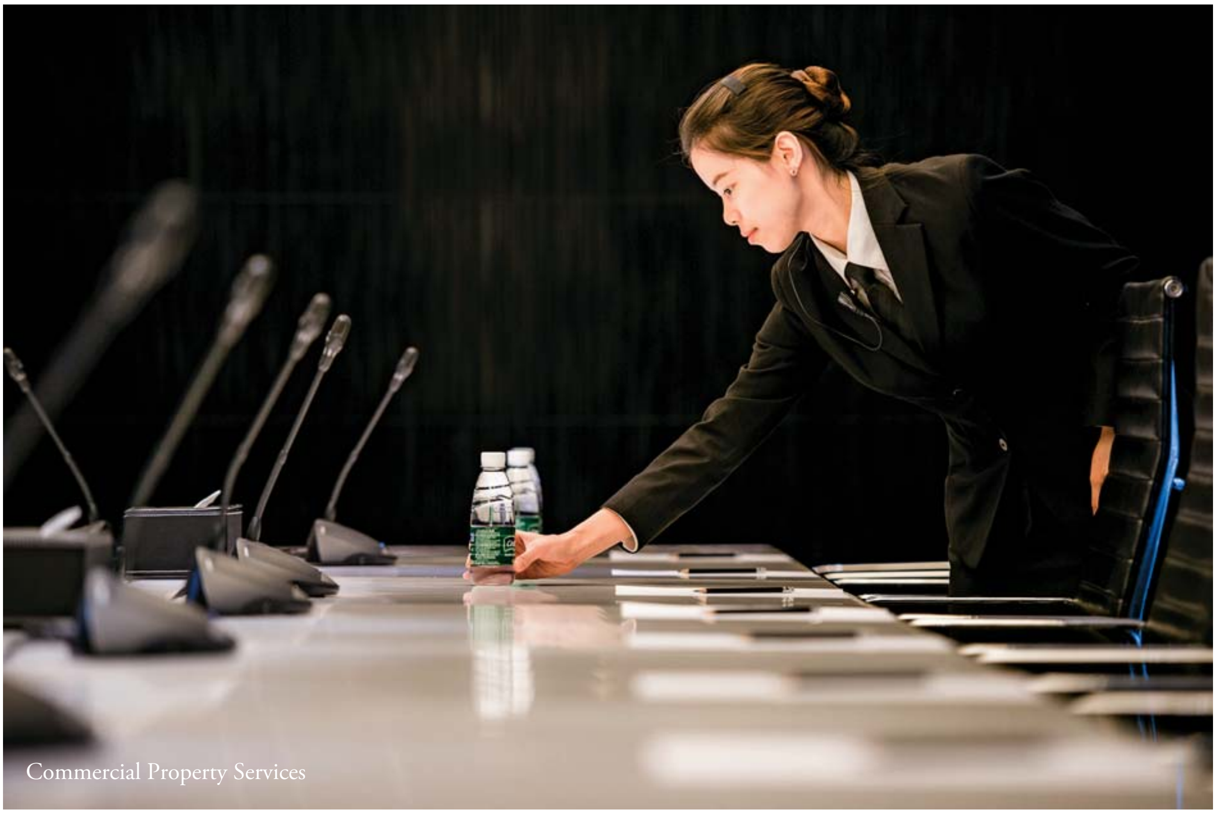
Employees and Remuneration Policies

As at 31 December 2017, excluding the employees of communities managed on a commission basis, the Group had approximately 31,059 employees (31 December 2016: approximately 29,038 employees). Total staff costs, including the Directors' emoluments, for the year ended 31 December 2017 amounted to approximately RMB1,144 million (2016: approximately RMB1,146 million). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for Chinese employees), a discretionary bonus program and a share option scheme.

The Company adopted the share option scheme on 27 October 2009. As at 31 December 2017, a total of 142,660,000 share options were granted and 0 (2016: 0) share options had lapsed while 225,000 (2016: 618,000) share options had been exercised during the year. As at 31 December 2017, the number of outstanding share options was 85,101,000.

DIVIDENDS DISTRIBUTION

The Directors recommended the declaration of a final dividend at the rate of HK7.00 cents per share, payable on Wednesday, 27 June 2018, to all persons registered as holders of shares of the Company on Tuesday, 5 June 2018, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The aggregate amount shall be paid out of the Company's share premium account.


Commercial Property Services

BUSINESS REVIEW

Property Development

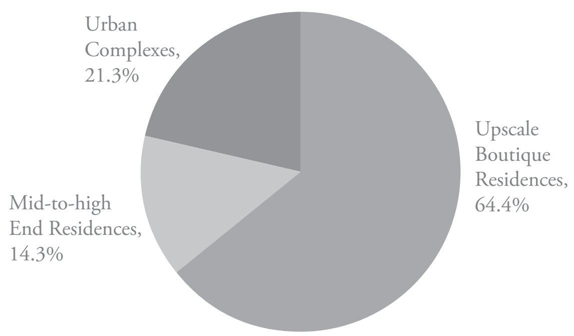
Contracted Sales and Project Development

In 2017, the regulatory policy intensified segment by segment and affected more third and fourth-tier cities. In spite of the rigorous policy of "restriction on housing prices" promulgated by the government, which sets restrictions against various segments, such as land auction, pre-sale certification and sales filing, both sales area and amount of commercial housing, however, recorded new high and area available for sale continued to decline. The growth of land area purchase also turned around. The hot craze of land auction in first and second-tier cities has spread to third and fourth-tier cities, and land lot price also surged. By a clear contrast, both the growth in real estate development investments and newly commenced projects area had slowed down and risks on commercial and office inventories remained. With the current regulating and control directions remaining unchanged, the efforts of various polices not weakened, the stacking effect of these policies will be more in-depth in 2018 in which they will proactively establish a favorable environment for the long-term development of the industry.

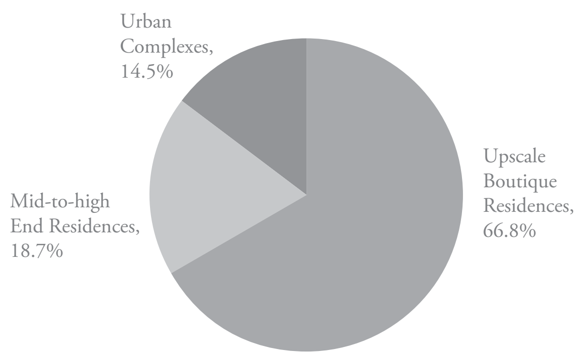
Under the overall tightened control marketing environment, our real estate business maintained its growth momentum against the trend, our long-term products remained popular in the first half year, difficult projects also made some breakthrough and cash collection was assured despite considering sales premium which safeguarded the fund requirements for enterprise's rapid development. Several newly obtained projects were clustered together and launched into the market in the second half year and received good responses from local market with good sales momentum, which established a good foundation in achieving our annual result target. Meanwhile, we put more efforts in acquiring projects, optimized the Group's inventory structure gradually for the purpose of building up our inventories for our long-term strategic development.

During the Period, the Group recorded contracted sales of RMB20,164.3 million and contracted sales area of 1,909,998 sq.m.. Of which, RMB4,293.5 million was derived from urban complexes projects, representing approximately 21.3% of the Group's total contracted sales. RMB12,978.6 million was derived from upscale boutique residences projects, representing approximately 64.4% of the Group's total contracted sales; and RMB2,892.2 million was derived from mid-to-high end residences projects, representing approximately 14.3% of the Group's total contracted sales.

Proportion of contracted sales attributable to different product categories



Proportion of contracted sales area attributable to different product categories

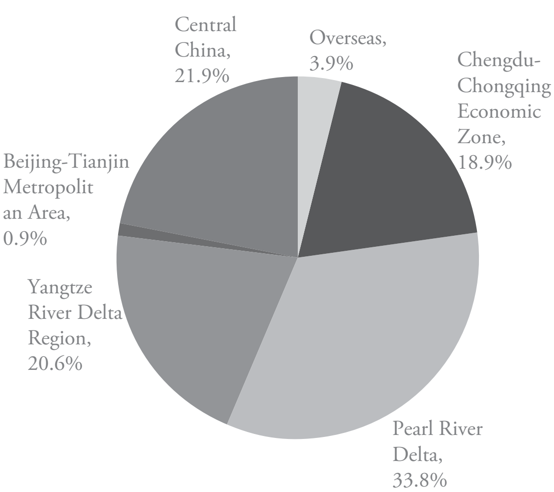


The proportion of contracted sales and contracted sales area attributable to different product categories for the year 2017

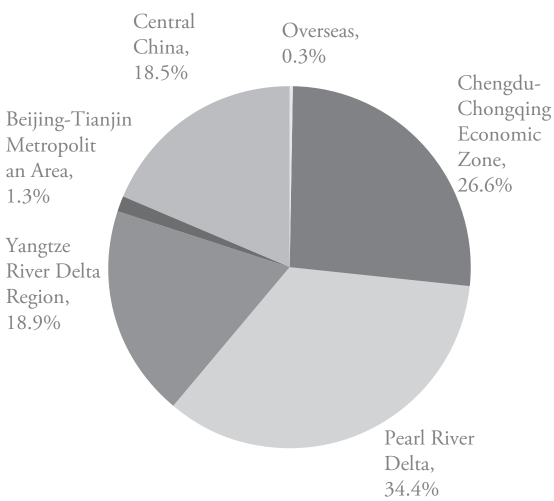
	Amount		**Area**	
	(RMB million)	**%**	**(sq.m.)**	**%**
Urban Complexes	4,293.5	21.3	276,418	14.5
Boutique Upscale Residences	12,978.6	64.4	1,276,036	66.8
Mid-to-high End Residences	2,892.2	14.3	357,544	18.7
Total	**20,164.3**	**100.0**	**1,909,998**	**100.0**

During the Period, the contracted sales contribution to the Group's real estate business were mainly derived from 14 cities, including Wuhan, Chengdu, Guilin, Huizhou and Nanjing, and 33 projects, including Huahaoyuan (Jinshanghua) at Wuhan, Jiatianxia and Xiangmendi at Chengdu, Chengdu Longnian International Center, Guilin Lakeside Eden and Huizhou Kangchengsiji. As compared to last year, the Group used Wuhan city as a center for the Central China market, Chengdu city as a center for the Chengdu-Chongqing market, Shenzhen city as a center for the Pearl River Delta market and Shanghai city as a center for the Yangtze River Delta market, and earned good reputation and impact in the local markets. These cities became the key locations that contributed to the fulfillment of our target this year. In addition, the Group started trial runs in light assets businesses as well as businesses in the sixth-tier of the real estate sector, and leveraged on the companies' resources in Wuhan and nearby areas such as Jiangyin, Kunming, Huizhou and Jingchuan County in Gansu to boost its business volume.

Contracted sales value distribution in six major regions in 2017



Contracted sales area distribution in six major regions in 2017



Breakdown of the Group's contracted sales in six major regions in 2017

	Amount		Area	
	(RMB million)	**%**	**(sq.m.)**	**%**
Pearl River Delta	6,814.5	33.8	656,343	34.4
Chengdu-Chongqing Economic Zone	3,809.4	18.9	507,561	26.6
Beijing-Tianjin Metropolitan Area	191.0	0.9	25,401	1.3
Yangtze River Delta Region	4,146.8	20.6	361,780	18.9
Central China	4,408.1	21.9	352,478	18.5
Overseas	794.5	3.9	6,435	0.3
Total	**20,164.3**	**100**	**1,909,998**	**100**

Pearl River Delta Region

By leveraging on the development of Guangdong-Hong Kong-Macao Greater Bay Area, the Pearl River Delta Region market will become a vital test ground for China to build the world-class city clusters and participate in global competition.

Under the new policy environment, the Group grasped the opportunity to speed up the business development in Shenzhen, Guangzhou, Huizhou and Guilin markets to seek greater business growth and acquire more land reserves. During the Period, the market conditions in Pearl River Delta Region were good, several projects such as Huizhou Kangchengsiji, Guilin Lakeside Eden had robust sale and became the "top sales" projects in this market segment. Meanwhile, the Group actively expanded its projects to the surrounding regions which strongly supported the Group's future development in Pearl River Delta Region.

During the Period, the Group recorded contracted sales area of approximately 656,343 sq.m. in the Pearl River Delta Region and contracted sales of approximately RMB6,814.5 million, attributing to 34.4% and 33.8% of the total contracted sales area and total contracted sales of properties of the Group respectively.

As at 31 December 2017, the Group had three projects or phases of projects under construction in the Pearl River Delta Region, with a total planned GFA of approximately 792,775 sq.m. and an estimated saleable area of approximately 613,342 sq.m.. The Group also had five projects or phases of projects to be developed in the Pearl River Delta Region, with a total planned GFA of approximately 1,206,524 sq.m..

Chengdu-Chongqing Economic Zone

As a vital economic hub in Southwestern China, the Chengdu-Chongqing Economic Zone shows its robust market demand, and is one of earliest important strategic market of the Group. After 17 years of development in such region, the Group has become one of the most influential branded property developers in the region. During the Period, the Group secured a leading market position in terms of sales performance by integrating hotel, cultural tourism and other resources to improve products and strengthen community management and exceeding the annual target.

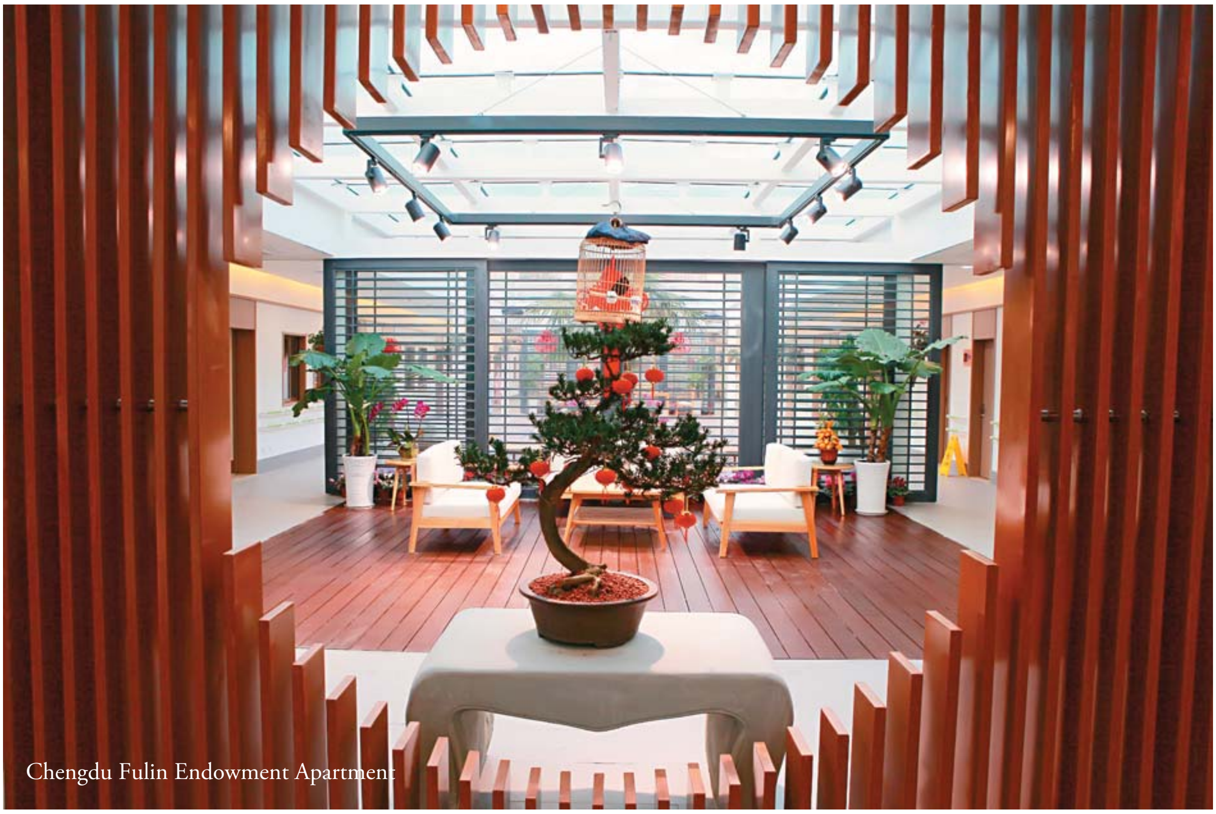
During the Period, the Group recorded contracted sales area of approximately 507,561 sq.m. in the Chengdu-Chongqing Economic Zone and contracted sales of approximately RMB3,809.4 million, attributing to 26.6% and 18.9% of the total contracted sales area and total contracted sales of properties of the Group respectively.

As at 31 December 2017, the Group had four projects or phases of projects under construction in the Chengdu-Chongqing Economic Zone, with a total planned gross floor area of approximately 810,437 sq.m. and a saleable area of approximately 617,152 sq.m.. Apart from the projects under construction, the Group also had eight projects or phases of projects to be developed in the Chengdu-Chongqing Economic Zone, with a total planned gross floor area ("GFA") of approximately 3,412,303 sq.m..

Beijing-Tianjin Metropolitan Area

The Beijing-Tianjin Metropolitan Area is a vital economic centre in Northern China, thus it has always been one of the Group's expansion focus to enhance the development in this area.

During the Period, the Group accelerated the development of its existing projects in the region and, on top of that, sped up its business expansion in key cities such as Tianjin, Beijing and Shijiazhuang by acquiring land reserves and undertaking new cooperation projects, to grow bigger and have greater influence in regional markets.



Chengdu Fulin Endowment Apartment

During the Period, the Group recorded contracted sales area of approximately 25,401 sq.m. and contracted sales of approximately RMB191.0 million in the Beijing-Tianjin Metropolitan Area, attributing to 1.3% and 0.9% of the total contracted sales area and total contracted sales of properties of the Group respectively.

As at 31 December 2017, the Group had two projects or phases of projects under construction in Beijing-Tianjin Metropolitan Area, with a total planned GFA of approximately 18,595 sq.m. and an estimated saleable area of approximately 12,927 sq.m.. The Group also had four projects or phases of projects to be developed in the Beijing-Tianjin Metropolitan Area, with a total planned GFA of approximately 711,947 sq.m..

Yangtze River Delta Region

Yangtze River Delta Region is a resource allocation pivot with great economic vitality, a technology innovation hub with global influence, and a vital international gateway in the Asian-Pacific region. The Group has long been paying great attention to its existing projects and the key cities with high growth potential within the region.

During the Period, the Group focused on customers' needs and strived to develop products with high recognition in the market, thus greatly boosting the sales of key projects and gaining considerable market attention and influence.

During the Period, the Group recorded contracted sales area of 361,780 sq.m. and contracted sales of approximately RMB4,146.8 million in the Yangtze River Delta Region, attributing to 18.9% and 20.6% of the total contracted sales area and total contracted sales of properties of the Group respectively.

As at 31 December 2017, the Group had 5 projects or phases of projects under construction in the Yangtze River Delta Region, with a total planned GFA of approximately 933,504 sq.m. and an estimated saleable area of approximately 639,513 sq.m.. The Group also had four projects or phases of projects to be developed in the Yangtze River Delta Region, with a total planned GFA of approximately 505,096 sq.m..

Central China

Central China is the nationwide geographic center with convenient transportation and developed economic conditions. The development in Central China is of strategic significance to the Group. During the Period, the Group proactively promoted the development of its existing projects and seized market opportunities to expedite de-stocking, achieving rapid sales of projects in rigid demand with increasing price premiums and out-performed its annual results. Leveraging on its reputation and customer recognition in regional markets, the Group accelerated its business development and acquired a number of new projects in such key cities as Wuhan, Zhengzhou, Changsha and Xi'an in Central China, laying a solid foundation for its further development in the region in the future.

During the Period, the Group recorded contracted sales area of 352,478 sq.m. and contracted sales of approximately RMB4,408.1 million in Central China, attributing to 18.5% and 21.9% of the total contracted sales area and total contracted sales of properties of the Group respectively.

As at 31 December 2016, the Group had two projects or phases of projects under construction in Wuhan, with a total planned GFA of approximately 326,944 sq.m. and an estimated saleable area of approximately 283,042 sq.m.. The Group also had five projects or phases of projects to be developed, with a total planned GFA of approximately 732,221 sq.m..

Newly Commenced Projects

During the Period, the Group commenced development of twelve projects or phases of projects with a total planned GFA of approximately 2,248,638 sq.m..

Breakdown of newly commenced projects in 2017

Project-serial number	Project name	Project location	Nature of land	Expected completion date	Company's interest	GFA
						(sq.m.)
Pearl River Delta						
1	Shenzhen Jiatianxia (深圳家天下)	Kuichong, Shenzhen City	Residential and commercial purposes	2018	10%	64,241
2	Huizhou Kangchengsiji	Zhongkai High-tech Industrial Development Zone, Huizhou City	Residential and commercial purposes	2019	100%	171,108
3	Guilin Lakeside Eden	Lingui New District, Guilin City	Residential and commercial purposes	2019	70%	143,417
Chengdu-Chongqing Economic Zone						
1	Chengdu Xiangmendi (成都香門第)	Pi County, Chengdu City	Residential and commercial purposes	2018	100%	323,248
2	Chengdu Family Isall	Shuangliu District, Chengdu City	Residential and commercial purposes	2019	55%	332,864
3	Chengdu Longnian International	Pi County, Chengdu City	Residential and commercial purposes	2019	100%	59,341
Central China						
1	Wuhan Jinxiu City	Hongshan District, Wuhan City	Residential and commercial purposes	2019	50%	235,746
Yangtze River Delta						
1	Nanjing Gaochun Love Forever (南京高淳花郡)	Gaochun District, Nanjing City	Residential land use	2019	100%	374,999
2	Suzhou Taicang Taigucheng (蘇州太倉太古城)	Zhenghe East Road, Taicang	Commercial/office purpose	2019	100%	63,741
3	Suzhou Lago Paradise (蘇州太湖天城)	Taihu National Tourism Vacation Zone, Suzhou City	Residential land use	2019	100%	152,006
4	Jiangxi Ganzhou Yunding Mansion (江西贛州雲頂公館)	Ganzhou	Residential and commercial purposes	2018	100%	91,198
5	Ningbo Cixi Yuefu Project (寧波慈溪悦府項目)	North Third Ring East Road and Culture South Road Cross, Ningbo City	Residential purpose	2019	100%	236,729

Completed Projects

During the reporting period, the Group completed 8 projects or phases of projects, with a total GFA of approximately 1,025,848 sq.m..

Breakdown of completed projects in 2017

Project-serial number	Project name	GFA	Gross saleable area	Area for sales	Contracted sales area	Area held by the Company
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
Yangtze River Delta Region						
1	Suzhou Hailrun	250,690	124,497	108,110	16,387	–
2	Suzhou Lago Paradise	10,712	10,313	–	10,313	–
3	Nanjing Hailrun Plaza	89,847	78,426	39,660	38,766	–
Pearl River Delta						
1	Huizhou Kangchengsiji	308,711	203,729	6,334	195,670	1,725
2	Guilin Lakeside Eden	73,768	72,458	20,192	52,266	–
Chengdu-Chongqing Economic Zone						
1	Chengdu Grande Valley	42,639	37,334	3,952	33,382	–
2	Chengdu Longnian International	141,450	109,863	1,804	108,059	–
Central China						
1	Wuhan Fantasia Town	108,031	87,954	14,870	83,084	–

Projects Under Construction

As at 31 December 2017, the Group had 16 projects or phases of projects under construction, with a total planned GFA of 2,926,350 sq.m. and a total planned gross saleable area of 2,113,226 sq.m..

Breakdown of projects under construction as at 31 December 2017

Project-serial number	Project name	Project location	Nature of land	Company's interest	Expected Completion date	GFA	Gross saleable area	Product Category
						(sq.m.)	(sq.m.)	
Huizhou								
1	Huizhou Kangchengsiji	Zhongkai Hi-tech Zone, Huizhou City	Residential and commercial purposes	100%	2018	171,108	139,261	Mid-to-high End Residences
Guilin								
1	Guilin Lakeside Eden	Lingui New District, Guilin City	Residential and commercial purposes	70%	2018	501,521	374,641	Mid-to-high End Residences
Chengdu								
1	Chengdu Longnian International	Pi County, Chengdu City	Residential and commercial purposes	100%	2019	134,117	101,287	Urban Complexes
2	Chengdu Grande Valley	Pujiang County, Chengdu City	Residential land use	70%	2018	20,208	19,693	Boutique Upscale Residences
3	Chengdu Xiangmendi (成都香門第)	Pi County, Chengdu City	Residential and commercial purposes	100%	2019	323,248	246,572	Boutique Upscale Residences
4	Chengdu Family Isall	Shuangliu District, Chengdu City	Residential and commercial purposes	55%	2019	332,864	249,600	Boutique Upscale Residences
Tianjin								
1	Love Forever	Wuqing District, Tianjin City	Residential land use	60%	2017	2,679	2,679	Mid-to-high End Residences
2	Huaxiang	Wuqing District, Tianjin City	Residential land use	60%	2017	15,916	10,248	Boutique Upscale Residences
Suzhou								
1	Suzhou Taicang Taigucheng (蘇州太倉太古城)	Zhenghe East Road, Taicang	Commercial/office purpose	100%	2019	63,741	61,010	Urban Complexes
2	Suzhou Lago Paradise (蘇州太湖天城)	Taihu National Tourism Vacation Zone, Suzhou City	Residential purpose	100%	2019	152,006	79,907	Boutique Upscale Residences
3	Ningbo Cixi Yuefu Project (寧波慈溪悦府項目)	North Third Ring East Road and Culture South Road Cross, Ningbo City	Residential purpose	100%	2019	236,729	150,865	Mid-to-high End Residences

Project-serial number	Project name	Project location	Nature of land	Company's interest	Expected Completion date	GFA	Gross saleable area	Product Category
						(sq.m.)	(sq.m.)	
Wuhan								
1	Wuhan Jinxiu City	Hongshan District, Wuhan City	Residential and commercial purposes	50%	2019	235,746	192,263	Boutique Upscale Residences
Shenzhen								
1	Shenzhen Jiatianxia (深圳家天下)	Kuichong, Shenzhen City	Residential and commercial purposes	10%	2018	64,241	46,690	Urban Complexes
Nanjing								
1	Nanjing Hailrun Plaza	Central North Road, Gulou District, Nanjing City	Commercial land use	70%	2017	206,029	101,184	Urban Complexes
2	Nanjing Love Forever	Gaochun District, Nanjing City	Residential and commercial purposes	100%	2018	374,999	246,547	Mid-to-high End Residences
Ganzhou								
1	Yunding Mansion	Jiangxi Ganzhou	Residential and commercial purposes	100%	2018	91,198	90,779	Mid-to-high End Residences

Projects Held for Development

As at 31 December 2017, the Group had 26 projects or phases of projects held for development, with a total planned GFA of approximately 6,055,964 sq.m..

The following table sets out a breakdown of the Group's projects or phases of projects held for development in the five major regions as at 31 December 2017.

	sq.m.	%
Pearl River Delta	1,283,581	21.2%
Chengdu-Chongqing Economic Zone	2,896,303	47.8%
Yangtze River Delta Region	431,912	7.1%
Beijing-Tianjin Metropolitan Area	711,947	11.8%
Central China	732,221	12.1%
Total	**6,055,964**	**100%**

The breakdown of projects held for development as at 31 December 2017

Project-serial number	Project name	Project location	Nature of land	Company's interest	GFA
					(sq.m.)
Shenzhen					
1	Jiatianxia Project	Kuichong, Shenzhen City	Residential and commercial purposes	10%	187,240
2	Huaxing Industrial Project	Shekou District, Shenzhen City	Commercial and Financial Land	61%	75,130
Subtotal					**262,370**
Huizhou					
1	Remaining phases of Kangchengsiji	Zhongkai Hi-tech Zone, Huizhou City	Residential and commercial purposes	100%	25,806
2	Qiuchang Project	Danshui Town, Huiyang District, Huizhou City	Residential purpose	100%	188,967
3	Zijin Huafu (紫金華府)	Yeting Road East Road and Xinghe Dongsi Road intersection, Huiyang District	Residential purpose	100%	80,546
Subtotal					**295,319**
Shanghai					
1	Guobang Huayuan (國邦花園)	Jing'an District, Shanghai City	Office purpose	100%	5,766
Subtotal					**5,766**
Guilin					
1	Phase D of Lakeside Eden	Lingui New District, Guilin City	Residential and commercial purposes	100%	326,135
2	Phase E of Lakeside Eden	Lingui New District, Guilin City	Residential and commercial purposes	70%	399,757
Subtotal					**725,892**
Chengdu					
1	Remaining phases of Belle Epoque	Laojunshan, Xinjin County, Chengdu City	Residential, commercial and ancillary purposes	100%	397,204
2	Remaining phases of Grande Valley	Pujiang County, Chengdu City	Residential and commercial purposes	70%	667,737
3	Chengdu Xiangmendi (成都香門第)	Pi County, Chengdu City	Residential and commercial purposes	100%	166,752
4	Chengdu Family Isall	Shuangliu District, Chengdu City	Commercial cum residential	55%	456,354
5	Phase 2.3 of Chengdu Longnian International Center	Pi County, Chengdu City	Residential and commercial purposes	100%	23,289
6	Chengdu Zhihui City (成都智薈城)	Chongzhou, Chengdu City	Residential and commercial purposes	80%	707,784
7	Ziyang Project (資陽項目)	Southern side of Chengnan Road, Hi-tech District, Ziyang City	Residential cum commercial	91%	477,183
Subtotal					**2,896,303**

Project-serial number	Project name	Project location	Nature of land	Company's interest	GFA
					(sq.m.)
Beijing					
1	Yaxinke Project	Fengtai District, Beijing City	Residential purpose	76%	268,174
Subtotal					**268,174**
Nanjing					
1	Love Forever Project	Gaochun District, Nanjing City	Residential purpose	100%	78,491
2	Nanjing Jiatianxia (南京家天下)	Lishui Economic Development Zone, Nanjing City	Residential and commercial purposes	100%	347,655
Subtotal					**426,146**
Tianjin					
1	Remaining phases of Love Forever	Wuqing District, Tianjin City	Residential purpose	60%	37,107
2	Remaining phases of Huaxiang	Wuqing District, Tianjin City	Residential purpose	60%	238,327
3	Yingcheng Lake Project	Hangu District, Tianjin City	Residential, commercial and tourism purposes	100%	168,339
Subtotal					**443,773**
Wuhan					
1	Hankou Xingfuwanxiang (漢口幸福萬象)	Next to Hankou City Plaza, Houhu, Jiang'an District, Wuhan City	Commercial purpose	31%	50,417
2	Wuhan Hanzheng Street the First (武漢漢正街一號)	Wusheng Road and Yanjiang Road Cross, Qiaokou District, Wuhan City	Commercial purpose	100%	338,700
3	Wuhan Huahaoyuan Project (武漢花好園項目)	Next to Hankou City Plaza, Houhu, Wuhan City	Commercial and residential purposes	100%	180,000
4	Wuhan Jinshanghua Project (武漢錦上花項目)	Next to metro entrance, Xingye Road, Houhu, Wuhan City	Residential purpose	100%	55,600
5	Phase 2 of Wuhan Baishazhou Jinxiu Town	Hongshan District, Wuhan City	Residential and commercial purposes	100%	107,504
Subtotal					**732,221**
Total					**6,055,964**

Land Bank

During the Period, the Group continued to adhere to its prudent investment strategy and its development direction of acquiring land in first-tier cities, such as Beijing, Shanghai, Shenzhen, Wuhan and Chengdu, which enjoy strong market potential and capable of delivering rich returns. As at 31 December 2017, the planned GFA of the Group's land bank amounted to approximately 15,609,140 sq.m. and the planned GFA of properties with framework agreements signed amounted to 6,626,826 sq.m..

Region	Projects under construction	Projects to be developed	Projects under framework agreements	Aggregate planned GFA of land bank	Proportion
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
Chengdu-Chongqing Economic Zone				**6,892,739**	**44.2%**
Chengdu	810,437	2,896,303	2,916,682	6,623,422	
Kunming	–	–	269,317	269,317	
Pearl River Delta				**4,928,915**	**31.6%**
Shenzhen	64,241	262,370	1,808,564	2,135,175	
Huizhou	171,108	295,319	1,099,900	1,566,327	
Guilin	501,521	725,892	–	1,227,413	
Beijing-Tianjin Metropolitan Area				**771,801**	**4.9%**
Beijing	–	268,174	41,259	309,433	
Tianjin	18,595	443,773	–	462,368	
Yangtze River Delta				**1,521,670**	**9.7%**
Suzhou	452,476	–	56,254	508,730	
Shanghai	–	5,766	–	5,766	
Nanjing	581,028	426,146	–	1,007,174	
Central China				**1,494,015**	**9.6%**
Wuhan	235,746	732,221	434,850	1,402,817	
Ganzhou	91,198	–	–	91,198	
Total	**2,926,350**	**6,055,964**	**6,626,826**	**15,609,140**	**100%**

Colour Life

During the Period, the Group persisted in its discretionary authorisation plus platform cooperation expansion strategy to maintain rapid growth of its platform service segment. As at 31 December 2017, Colour Life had a total contractual management area of 440.0 million sq.m. and rendered services to a total of 2,384 communities, representing year-on-year (YoY) increases of 40.9 million sq.m. and 45 communities, respectively. Most of the newly-added communities under contractual management were obtained by way of discretionary authorisation, fully indicating the industry market competitiveness and brand awareness of Colour Life. Existing projects managed by Colour Life are distributed across 222 Chinese cities and Singapore, forming a business landscape covering Eastern China, Southern China, Northwestern China, Southwestern China, Northeastern China, Northern China, Central China as well as Singapore and Hong Kong. Meanwhile, Colour Life established connections with excellent partners in the industry through platform cooperation and exported its underlying technology of Colour Life to help them exploring new source of value-added services without separating the profits of fundamental property services owned by cooperative partners at the same time. Since it launched the platform cooperation model, Colour Life has received receptive responses from industry cooperative partners. As at 31 December 2017, Colour Life has established partnerships with 50 community services companies, including Lanzhou Chengguan Property Services Group Co., Ltd., Jiangsu Zhongzhu Property Services Development Co., Ltd., Hubei Yunfan Property Services Co., Ltd. and Changsha Guanlan Lake Property, with a total cooperatively-managed area of 460.0 million sq.m.. As at 31 December 2017, the service area under Colour Life's platform reached 900.2 million sq.m., including a self-managed area of 436.0 million sq.m. and a cooperatively-managed area of 464.2 million sq.m..

With continuous expansion in service scale of the platform, as at 31 December 2017, the number of registered users of Caizhiyun (彩之雲) had exceeded 10.34 million, of which 3.494 million were active users, representing an increase of 241.7% and 101.2% respectively as compared to the end of 2016, with 33.8% high level active users. The core mission for Colour Life in the future is to gradually turn registered users into active users and then consumer users eventually through online plus offline operating strategy to fuel the growth of trading volume and value-added business.

In 2017, the construction of Colour Life's ecosystem achieved tremendous progress as the vertical applications connected to the platform performed well. In particular, the number of E Elevator on the platform surpassed 100,000 units and more than 75% were from non-Colour Life community. E Energy, E Parking and E Rental were well received by the market by virtue of their efficient and quality services, thus achieving considerable revenue and profits. In 2017, the Gross Merchandise Volume (GMV) of Caizhiyun platform amounted to RMB7.61 billion; the revenue from its value-added business amounted to RMB276.8 million for the year, representing a YoY growth of 76.5% with a high gross profit margin of 82.0%. Such revenue contributed to 42.9% of Colour Life's segment profit and was the second largest source of revenue and profit in the business distribution, marking the transformation and upgrading of Colour Life into a new development stage.

In 2017, Colour Life's core product "Two Colours" continued to maintain rapid growth momentum. The newly yearly cumulative turnover of "Colour Wealth Life Value-added Plan" amounted to RMB5.68 billion. Meanwhile, "Colour Life Residence" made a shift from typical one-off house sale of developers to the sales pattern of "House Plus Services", which had been implemented in 67 cities nationwide, such as Nanjing, Chengdu, Changsha, Wuhan, Xuzhou, Fuzhou, Wuxi and Huizhou. Colour Life also entered into cooperation agreements regarding Colour Life Residence with 41 developers, including Anhui Goocoo Group (安徽國購集團) and Xi'an Ronghua Group (西安榮華集團), and developed such innovative products as "Colour Parking Spaces" to activate the remnant assets of parking spaces to its maximum. In 2017, the total house sales of Colour Life Residence reached 10,057 units. The penetration of Colour Life Residence has cumulatively generated a large quantity of "meal coupons" offered by the developers to homeowners as rebates. Such meal coupons, serving as a bridge between products and services, will form a strong purchasing power on the platform and consequently, attract more excellent suppliers and entrepreneurs to join the platform, creating a virtuous cycle for Colour Life's ecosystem.

Furthermore, at the extraordinary general meeting of Colour Life held on 28 February 2018, the proposed resolutions about the acquisition of Wanxiangmei Property Management Co., Ltd. (Wanxiangmei) were duly passed by Independent Shareholders. Therefore, Wanxiangmei will become a subsidiary wholly-owned by Colour Life in 2018.

Wanxiangmei provided property management services to over 132 communities and the GFA of these communities reached over 40 million sq.m.. For the ten months ended 31 October 2017, Wanxiangmei recorded a net profit of RMB235 million, representing an increase of 15 times from the corresponding period in 2016. After consolidating Wanxiangmei, Colour Life's financial data will have more growth potential and generate more synergy by bringing Colour Life's advanced management model and various value-added services to the communities under Wanxiangmei's management.

Home E&E

Leveraging on the Group's eight segment resources and financial platform, the Group's Shenzhen Home E&E Commercial Services Group Co., Ltd. (深圳市美易家商務服務集團有限公司) ("Home E&E", and together with its subsidiaries the "Home E&E Group"), through continuous innovation, built up an online & offline commercial community eco-platform similar to Fantasia in nature. Existing projects cover over 60 cities across the country with a management area of 35 million sq.m., forming a strategic business landscape covering the core regions in China, including Northern China, Central China, Eastern China, Southern China, Southwestern China and Northwestern China.

In order to strengthen its management, improve its operating performance and achieve customers value conversion, in 2017, the standardised, professionalism, intelligentized and technology-based management was put into practice. The operation of its subsidiaries in various cities was strengthened by implementing the principles of "making comparison with counterparts; drawing strong points and seeking help from others; narrowing the development gap; standing out beyond the rest" For customer services, it applied 110 minor innovations to improve on-site service quality of various projects and achieve its management results. For project management, firstly, it obtained elevator maintenance qualifications and filed on records in 15 cities, and began to undertake elevator maintenance business; secondly, it gradually implemented the initiative to build intelligent equipment rooms in various cities to improve its equipment management.

For commercial property asset management, the leasing business with around 40 projects has sprawled in more than 20 cities nationwide, including Shenzhen, Shanghai, Tianjin, Chengtu and Qingdao. Our marketing agencies projects were carried out in Nanjing, Nanchang, Hefei and Chengdu, with substantial completion in their structural framework establishment. Meanwhile, multi-service pattern works relating to industrial parks, intelligent community and community finance need to have in-depth customer needs understanding and optimised resources allocation. The asset management capability is strengthening gradually and has become the core competitiveness of Homer E&E to drive its further growth and make further strides towards the goal of becoming a leading commercial operator of community assets services in China.

Financial Group

Since 2013, leveraging the Group's strong community service operating platform, community finance has become an important driving force and one of the core business sectors in the Group's "Community Plus" strategy. Adopting the innovative internet finance model, a new path way of development for the unique Fantasia "Community Plus Finance" was opened up through the provision of a variety of financial services such as internet financial service platform, Shuangqianzhifu, financial leasing, commercial factoring and insurance brokerage, with one-stop access in the community setting.

Qian Sheng Hua (錢生花), the online financial platform of the Community Financial Group, now covers the mainstream online channels such as PC based computer and app-based mobile phone channels. In 2017, the number of registered users of Qian Sheng Hua increased by 1,220,000, with cumulative platform registered users over 3,100,000, and total investment for the year was RMB8.135 billion. On 6 December 2017, cumulative investment of the platform exceeded RMB10 billion, officially entered the 10 Billion Club. In the same year, its asset size increased to RMB6.5 billion with total assets of RMB11 billion. In 2017, the personal assets growth rate was as high as 1.5 times.

"Heying (合盈)" financial leasing and factoring company is an important business segment of the Community Financial Group. In 2017, while promoting its distinctive business model based on community leasing, the segment developed quality clients in five major cities (Pearl River Delta, Yangtze River Delta, Beijing-Tianjin-Hebei Region, the middle reaches of Yangtze River and Chengdu-Chongqing), thereby enhancing its brand reputation on a continuous basis. In 2017, the company achieved breakthroughs in external financing and obtained banking facilities. Currently, the company invested approximately RMB2 billion cumulatively, with a fourfold increase in sales revenue as compared to the same period of last year and its net profit increased by 19 times year on year, thus achieving rapid and sound business growth. The company kept increasing its asset size while maintaining good asset quality. In 2017, the financial leasing and factoring company segment landed a batch of renowned clients, which improved the quality of its customer base and enabled it to fulfill its investments in various key industries such as community leasing, automobile manufacturing, new energy environmental protection, information and communication, medical treatment and intelligent manufacturing, representing a total contract value of over RMB1 billion.

Zhong An Xin (中安信) 2017 was the transformation year of Zhong An Xin, our insurance brokerage business. In this year, the company completed its business strategic adjustment, built a team comprising high-caliber professional managers and determined three major business development directions, namely, expanding market business, exploring derivative business and carrying out innovative business. Internally, the company connected different segments of the Group, explored internal insurance requirements and provided insurance consulting services for the Group's staff and asset security. Meanwhile, in collaboration with Colour Life and Caifubao, it launched platform order insurance, borrower accidental insurance, premium loan and other projects. Externally, it took an active part in large market businesses including subway engineering insurance, highway engineering insurance and lithium industry insurance, etc. It strived to promote business innovation and carried out internet insurance business one after another. In 2017, it generated a brokerage income of over RMB28 million, involving a premium portfolio of RMB170 million, which had quickly reversed the existing single business type and slow income growth situation and enhanced the brand recognition of the company.

In the future, Community Financial Group will continue to build on its innovative online-to-offline ("O2O") community financial service platform to provide customers with innovative, convenient, comprehensive and valuable financial services, and strive to become a considerate wealth management agency serving community households.

Business Management Arm

Upholding the business philosophy of "steady expansion from a small niche", in 2017, Fantasia Business Management undertook entrusted asset management projects in a more active manner to build up urban key projects. By doing so, it gradually established strategic presence in four major regions, namely Eastern China, Southern China, Central China and Southwestern China, and has undertaken over 40 such projects in such provinces as Tibet, Jiangxi, Jiangsu, Sichuan, Guangdong, Hunan and Guizhou. In particular, "Jiangsu Yangzhou Joy Commercial Plaza", "Jiangsu Yangzhou Libao Commercial Plaza" and "Lhasa Fantasia World Outlets" have opened for business. In addition, Nanjing Hailrun OMG Mall, Huizhou Kangchengsiji Zhimatang, Shenzhen Longhua Fuchi Building, Guiyang Karst Urban Plaza and Kunming Lingxiu Knowledge Town have been scheduled to open for business, and several projects are being developed. While consolidating its fundamental business model, FBM is keeping up with the times by vigorously developing new cooperative models and strengthening the implementation in new retail models and vertical operation. With the growth of its entrusted asset management business, FBM will provide homeowners across the country with more quality services to harvest greater returns.

With an occupancy rate of over 90%, Nanjing OMG Mall recorded a total income of nearly RMB26 million in 2017. In Nanjing or even Jiangsu Province, Nanjing OMG Mall has become a renowned community business complex. In May 2017, FBM set up a Nanjing-based subsidiary as its regional core business in the Eastern China market to extend positive influence to the surrounding cities, marking another milestone in its development. Guilin OMG Mall commenced operation on 19 June 2015 and, with an occupancy rate of over 91%, recorded a total income of over RMB11 million for the year of 2017, committed to becoming a flagship shopping mall in Lingui New District or even Guilin City. "Fantasia World Outlets" in Pi County, Chengdu commenced operation on 23 December 2016, and recorded a total income of over RMB10 million in 2017, thus maintaining a strong growth momentum. In addition, Chengdu Hongtang Project and Suzhou Hongtang Project have signed merchants up for their anchor stores and sub-anchor stores, and preparations for opening for business are underway in full swing.

The brand image and awareness of FBM have been greatly improved, creating its unique brand influence in the industry. FBM will continue to scale up entrusted management of business assets, and follow the "asset-light and heavy" strategy to seek for asset-heavy business partners nationwide on the basis of its existing entrusted asset management services. As such, we believe that FBM will yield stable and growing returns.

Cultural and Tourism Group

In 2017, the Cultural and Tourism Group made an all-round layout to accelerate the development of community tourism and aviation segments. Based on the DaXigu Tourist Resort in Pujiang County, Chengdu, Longtuo Bay (龍托灣) and Dalunan Ryuuanji (龍安寺) and leveraging on its own industry resources, the Cultural and Tourism Group was considering to build up a flagship tourist town integrating "culture, tourism and aviation" with Fantasia's characteristics. This project will focus on family recreation and children education, offers buddhism music as a special treat and leisure agriculture and sports as supplementary services, with a view to creating vacation lifestyle with buddhism sense. The joining of Morning Star and Tiantai Travel Agency laid a solid foundation for open up the travel community platforms and providing all-round accommodation businesses in the future. FuNian Jet Aviation won 91 air operation certificates and LOA certificate issued by FAA successively and completed its maiden flight successfully. FuNian Jet Aviation is principally engaged in aircraft escrow, charter flights and special tourism projects while developing aviation maintenance, aviation training and other related business. Domestically, it mainly provides flexible, efficient and private jet business services for high-net-worth individuals, business elite, government officials, entertainers and stars. Hotel business was redesigned in the second half of 2017, with the focus will be on the promotion of "U Hotel Shenzhen" and "Tianjin U Hotel". "U Hotel" will build on its own resources and its mature customer base, in a bid to continuously extend the brand's business scope.

In the new year, the Cultural and Tourism Group will use community big data to interact with customers and improve customer loyalty, with a view of building a community and business ecosystem. Meanwhile, it will strive to translate such ecosystem into an asset-light management business, accelerate the development of aviation business, and build up a business network for tourism development and operation.

Futainian

During the reporting period, Futainian has comprehensively implemented its elderly care business that combines institutional care services, community care services and home care services.

In terms of institutional care services, the annual occupancy rate of Fulin Retirement Home remained at over 95% as Futainian constantly enhanced its service quality to improve the service experience of the elderly and their family members. Meanwhile, it introduced advanced management concepts and care technology from abroad and gradually established an institutional standard management system and management manual to enable the seniors to enjoy warm-hearted and quality elderly care services with dignity, with an effort to build Fulin Retirement Home, a paradise full of love for the elderly. In terms of community care services, Futainian integrated the resources from all aspects of retirement service with mutual support as its core, received government grants and public service funding. For home care services, Futainian proactively engaged in the government's procurement projects on homecare services. As at December, it won the three-year government-sponsored home care project tender, a project that designed to serve the elderly in eight streets of the Hi-tech District and Wuhou District. Futainian made great breakthroughs in the transformation and promotion of service catered for elderly.

In 2018, Futainian will accelerate the development of Fulin into a chain brand, implement standard institutional management system to form a standardised operation and management system of Fulin institutional care services and create its brand influence with all its strength. It will deepen the bonds with the elderly and expand the influence of community care services through public service funding. At the same time, it will vigorously develop pension members based on Futainian membership system, improve big databases and conduct in-depth analysis and study of the health management practices, consumption habits and purchasing power of the elderly being served. For home care services, it will deepen door-to-door model and service standards in government procurement and introduced the "self-help plus support" technology into home services, thereby building a professional image featuring "hearted", "assured" and "thoughtful" home services.

Education

The education arm of the Group serves as an innovative industry platform based on its long-term planning and strategic layout of four major communities and four major apps, with a view to promote rapid business growth and fostering household customer loyalty. The education arm adopts a family-based approach and integrates internal and external community resources to build innovative platforms that provide modern education services and child growth experience. The platforms will have talents to provide families with high quality services, and can create a unique experience-based environment for children growth and family education.

In 2017, the Group's education arm achieved rapid growth in its business lines, i.e. community education, vocational education and civil education.

In terms of community education, in June last year, the second child growth experience center in Dongguan, Guangdong Province was put into operation, signifying the growing influence of its community education in Southern China. The child growth experience centers, which serve as a means of in-depth interaction between our own property service brand and families in communities, have gained a good reputation among targeted customers. The innovative community education model and rich community activities have attracted the attention of educational institutions, government authorities and the media. In 2018, the community education will focus on improving its brand system and build a new model of exporting management externally.

For the vocational education, the education arm designed a series of new products and services and launched an online platform in 2017. By enhancing its training courses, training system and service system, the education arm cultivated reliable talent teams for its vocational education business, thereby gaining better recognition of its services from community residents. At the same time, leveraging on the community resources as well as its Internet platform, the education arm continued to extend the community coverage of its vocational education business by rapidly developing community bases, and established stable and praisable connections to collect large amounts of family data.

For the civil education, the education arm sped up its investment in mergers and acquisitions of, educational cooperation with kindergartens, international schools and private vocational schools. In doing so, it expects to further improve its whole product chain in the education industry, so as to provide community residents with a full range of education products.

In next three years, the education arm of the Group will continue to focus on first and second-tier cities in China to rapidly expand three major business lines, i.e. community education, vocational education and civil education. Through brand building and development of quality products and services, it will provide community families with quick, convenient and excellent educational solutions and create value for society, enterprises, families and individuals.

Fund Company

Shenzhen Qianhai Jianian Investment Fund Management Co., Ltd. (深圳前海嘉年投資基金管理有限公司), is a professional private fund management platform of the Group engaging in entrusted management of equity investment fund, equity investment,entrusted asset management and investment management.

Trading Company

Shenzhen Kangnian Technology Co., Ltd. is a professional company under the Group engaging in domestic and foreign trade of copper rods and copper plates, deformed steel bars and billets, energy and fossil products, glasses and paper pulp. During the reporting period, the sales proceeds of Kangnian and our other trading companies was approximately RMB10 billion.

Soushe Research Institute

Shenzhen Soushe Community Services Development Research Institute Co., Ltd. (深圳市搜社社區服務發展研究院有限公司) is a comprehensive strategic advisory institution for community services development that launched with the involvement of the Group. The company put forward "Community Thermometer", a comprehensive index system measuring community development, which is an untraditional and innovative move that caused industrial sensation.

Chengdu JR Fantasia

EXECUTIVE DIRECTORS

Mr. PAN Jun (潘軍), aged 47, is the chairman of the Board, an executive Director, chief executive officer, chairman of the nomination committee and a member of the remuneration committee of the Company respectively. He joined the Group in 1999 and is responsible for the overall operation of the Group's projects, formulation of our development strategies, as well as supervising the project planning, business and operation management of the Group. He is also currently the president of Fantasia Group (China) Company Limited, chairman of Shenzhen Fantasia Real Estate Group Limited and the director of a number of the Group's subsidiaries including being a non-executive director of Colour Life. Prior to joining the Group, Mr. Pan was the project manager, manager of the marketing department, manager of the valuation department and assistant to general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問（深圳）有限公司). Mr. Pan obtained a Bachelor's degree in Conservancy and Hydropower Engineering from Chengdu University of Science and Technology (成都科技大學), now known as Sichuan University (四川大學), in 1992 and holds an EMBA degree from Tsinghua University. Mr. Pan is also a registered property valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會).

Ms. ZENG Jie, Baby (曾寶寶), is an executive Director of the Company. She is also a member of the Company's nomination committee. Ms. Zeng is one of the controlling shareholders and the largest shareholder of the Company.

Mr. LAM Kam Tong (林錦堂), aged 49, is an executive Director, chief financial officer and company secretary of the Company. Mr. Lam joined the Group in May 2012 and is in charge of the capital market and investor relations department of the Group, and is also a non-executive director of Colour Life. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lam received his Bachelor's degree in Business Administration from Chinese University of Hong Kong in July 1991. He has over 14 years of experience in professional auditing and also has extensive experience in the areas of investor relations management, auditing, mergers and acquisitions and offshore financing. Before joining the Group, Mr. Lam was the executive director, chief financial officer and company secretary of China Aoyuan Property Group Ltd. (中國奧園地產股份有限公司), a company listed on the Main Board of the Stock Exchange, for over three years. From May 2006 to October 2008, Mr. Lam was the chief financial officer, company secretary and qualified accountant of Greentown China Holdings Ltd. (綠城中國控股有限公司), a company listed on the Main Board of the Stock Exchange. From November 2010 to March 2014, he was an independent non-executive director of Sheng Yuan Holdings Limited (盛源控股有限公司), a company listed on the Main Board of the Stock Exchange. Mr. Lam resigned as an independent non-executive director of Pegasus Entertainment Holdings Limited (天馬娛樂控股有限公司), a company listed on the Main Board of the Stock Exchange, on 13 December 2017.

Mr. DENG Bo (鄧波), aged 50, is an executive Director of Company. Mr. Deng currently serves as the assistant chief executive of Fantasia Group (China) Company Limited, a wholly-owned subsidiary of the Company, and is responsible for the strategy management department, information department, mass data center, Leed Home Company (立得屋公司), the Company's Japan branch, Soushe Community Services Development Research Institute (搜社社區服務發展研究院) and Innovative Financial Research Institute (創新金融研究院) (authorized custodian).

Mr. Deng graduated from Hunan University in June 1989 with a Bachelor's degree in Architectural Studies. He also earned a Master's degree in Architectural Studies from the same university in July 1995. Prior to joining the Company, Mr. Deng held the position of investment development director of Oceanwide Real Estate Group from December 1998 to April 2010; from May 1997 to November 1998, he served as a design director of Shenzhen Grand Field Real Estate Development Co., Limited (深圳市鈞濠房地產開發有限公司); from July 1995 to May 1997, he served as an architectural designer of Shenzhen Nanyou Engineering Design Limited Company; and from August 1990 to March 1992, he served as an architectural designer of Changsha Institute of Architectural Design. Mr. Deng has not held any directorships in any companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

NON-EXECUTIVE DIRECTORS

Mr. LI Dong Sheng (**李東生**), aged 60, is a non-executive Director of the Company. He graduated from South China University of Technology in 1982 with a Bachelor's degree in Radio Technology and has more than 19 years of experience in the information technology sector. Currently, Mr. Li resigned as the Chairman and executive director of TCL Multimedia Technology Holdings Limited, a company listed on the Stock Exchange, since September 2017. He is currently an independent non-executive director of Tencent Holdings Limited, a company listed on the Stock Exchange, and an independent director of Legrand, a company listed on NYSE Euronext.

Mr. Liao Qian (**廖騫先生**), aged 37, is currently the secretary of the board of directors and vice chairman of the investment management committee of TCL Corporation ("TCL Corporation"), the shares of which are listed on Shenzhen Stock Exchange (Stock Code: 000100). He joined TCL Corporation in March 2014 as the officer of the board of directors. Mr. Liao was subsequently appointed as the secretary of the board of directors of TCL Corporation in April 2014, and a member of the executive committee of TCL Corporation in December 2014. Mr. Liao is also the chairman, non-executive director, chairman of the nomination committee and a member of the remuneration committee of China Display Optoelectronics Technology Holdings Limited, the shares of which are listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 334); and chairman and non-executive director of Tonly Electronics Holdings Limited, the shares of which are listed on Main Board of the Stock Exchange (Stock Code: 1249). He served as a director of TCL Communication Technology Holdings Limited (whose shares were listed on the Stock Exchange during the period from 27 September 2004 up to 30 September 2016 (former stock code: 2618) and this company is currently a wholly-owned subsidiary of TCL Corporation) since May 2015, director of TCL Financial Holding (Shenzhen) Co. Ltd.* (TCL金融控股（深圳）有限公司) in September 2015, director of TCL Smart Home Technologies Co., Limited in November 2015, director of Highly Information Industry Co. Ltd (a subsidiary of TCL Corporation) and Huizhou Kuyou Network and Technology Co. Ltd.* (惠州酷友網絡科技有限公司) respectively in March 2016, director of Speedex Logistics Co. Ltd.* (速必達希傑物流有限公司, a non-wholly owned subsidiary of TCL Corporation) in July 2016, director of Shenzhen Hawk Internet Co. Ltd.* (深圳豪客互聯網有限公司, a non-wholly owned subsidiary of TCL Corporation) and TCL Culture and Media (Shenzhen) Co. Ltd* (TCL文化傳媒（深圳）有限公司), a non-wholly owned subsidiary of TCL Corporation) in August 2016 and independent director of Shenzhen Jiawei Photovoltaic Lighting Co., Ltd. in November 2016.

Prior to joining TCL Corporation, from August 2006 to February 2014,Mr. Liao had worked for Guotai Junan Securities Co. Ltd. as senior manager and general manager of its financial advisory department and the director of corporate accounts department of Guotai Junan Securities Co. Ltd. (Shenzhen headquarters), responsible for the investment banking business of capital markets between Hong Kong and the People's Republic of China.

Mr. Liao graduated from Fuzhou University with a bachelor degree in economics in 2002, and obtained a master degree of laws from Yunnan University in 2006. Mr. Liao also holds a Chinese legal professional qualification certificate.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HO Man (何敏), aged 48, is an independent non-executive Director of the Company. He is also the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company respectively. Mr. Ho has over 19 years of working experience in private equity investment and finance and is currently the managing director of an investment holding company. Prior to that, Mr. Ho served as an executive partner representative of a Chengdu-based private equity investment fund from December 2011 to May 2014. Mr. Ho worked for a Hong Kong-based private fund management company during January 2010 to December 2013 and was the managing director and head of China growth and expansion capital of CLSA Capital Partners from August 1997 to October 2009. Mr. Ho was the non-executive director of SCUD Group Limited (stock code: 1399) from December 2006 to October 2009) and Shanghai Tonva Petrochemical Co., Ltd. (stock code 1103, previous stock code: 8251, currently known as Shanghai Dasheng Agriculture Finance Technology Co., Ltd) from September 2008 to October 2009, both being companies listed on the Main Board of the Stock Exchange. He was the independent director of Shenzhen Forms Syntron Information Co. Ltd (stock code: 300468.SZ), a company listed on the ChiNext of Shenzhen Stock Exchange, from February 2012 to February 2018.

Mr. Ho has been an independent non-executive director of Fu Shou Yuan International Group Limited (stock code: 1448), since December 2013; an independent non-executive director of China Fire Safety Enterprise Group Limited, (stock code: 445) since July 2015; an independent non-executive director of Infinity Financial Group (Holdings) Limited (stock code: 1152) since November 2016; an independent non-executive director of Midas International Holdings Limited (stock code: 1172) since January 2018; and an independent non-executive director of Wanjia Group Holdings Limited (stock code: 401) since February 2018, all being companies listed on the Main Board of the Stock Exchange.

Mr. Ho has been a director of Shenzhen Daixiang Space Construction Co., Ltd., (stock code: 836604), a company listed on the National Equities Exchange and Quotations, since September 2015.

Mr. Ho was awarded an Executive Master of Business Administration degree from Tsinghua University and a master's degree in finance from the London Business School. He is also a Chartered Financial Analyst and a Certified Public Accountant.

Mr. HUANG Ming (黃明), aged 53, is an independent non-executive Director of the Company. He is the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company respectively. He has been a Professor of Finance at the Johnson Graduate School of Management at Cornell University since July 2005 and Head of School of Finance of Shanghai University of Finance and Economics from 2006 to April 2009. Mr. Huang was an Assistant Professor of Finance at Stanford University, Graduate School of Business from 1998 to 2002. He was also the Associate Dean, visiting Professor of Finance and Professor of Finance at Cheung Kong Graduate School of Business (長江商學院) from 2004 to 2005 and from 2008 to 2010 respectively. Since July 2010, Mr. Huang has been a Professor of Finance at China Europe International Business School (中歐國際工商學院). He graduated from Peking University in 1985 majoring in Physics. Mr. Huang then obtained a PhD in Physics and a PhD in Business from Cornell University and Stanford University respectively. Mr. Huang was the non-executive director of the Annuity Fund Management Board of China National Petroleum Corporation (中國石油天然氣集團年金理事會) and non-executive director of Qihoo 360 Technology Co. Ltd. (奇虎360科技有限公司), a company listed on Shanghai Stock Exchange, and non-executive director of Tebon Securities Co., Ltd. (德邦證券有限公司). Since 2008, Mr. Huang has been an independent director of Yingli Green Energy Holdings Co., Ltd. (英利綠色能源控股有限公司), a company listed on New York Stock Exchange. He is currently a non-executive director of 360buy Group (京東商城集團) and Guosen Securities Company Limited (國信證券有限公司). He is also an independent non-executive director of WH Group Limited, a company listed on the Main Board of the Stock Exchange. Mr. Huang resigned as an independent non-executive director of China Medical System Holdings Limited, a company listed on the Main Board of the Stock Exchange, since December 2017.

Dr. LIAO Jianwen (廖建文), aged 50, is an independent non-executive Director of the Company. He is also a member of each of the audit committee, remuneration committee and nomination committee of the Company respectively. Dr. Liao has extensive business research and teaching experience in United States, Hong Kong and the People's Republic of China (the "PRC"). He is well-known for his cross-discipline research, teaching and consultancy in relation to the strategy, innovation and entrepreneurship disciplines, extensive working experience encompassing North American and Asian regions, and has pioneering experience in biotechnology industry during his early years. Dr. Liao has been an associate dean and professor of managerial practice in strategy and innovation at Cheung Kong Graduate School of Business (長江商學院) since January 2012. Prior to that, he was an associate professor at Stuart School of Business in Illinois Institute of Technology from 2006 to 2012. In 2001, he was also a visiting professor at Hong Kong University of Science and Technology. He received a Doctorate degree in business administration from Southern Illinois University at Carbondale (USA) in August 1996, a Master's degree in economics from Renmin University of China (中國人民大學) in February 1991, and a Bachelor's degree in industry engineering from Northeastern University (東北大學) (formerly known as Northeastern Institute of Technology (東北工學院)) in July 1988. Dr. Liao served as an independent non-executive director of Qihoo 360 whose shares are traded at New York Stock Exchange and an independent non-executive director of China Mengniu Dairy Company Limited whose shares are traded on the Main Board of the Stock Exchange. He is currently an independent non-executive director of Colour Life and 361 Degrees International Limited, both companies are listed on the Main Board of the Stock Exchange; an independent director of China Merchants Shekou Industrial Zone Holdings Co., Ltd., a company listed on the Shenzhen Stock Exchange; and chief strategy officer of JD Group, a company listed on NASDAQ Stock Exchange.

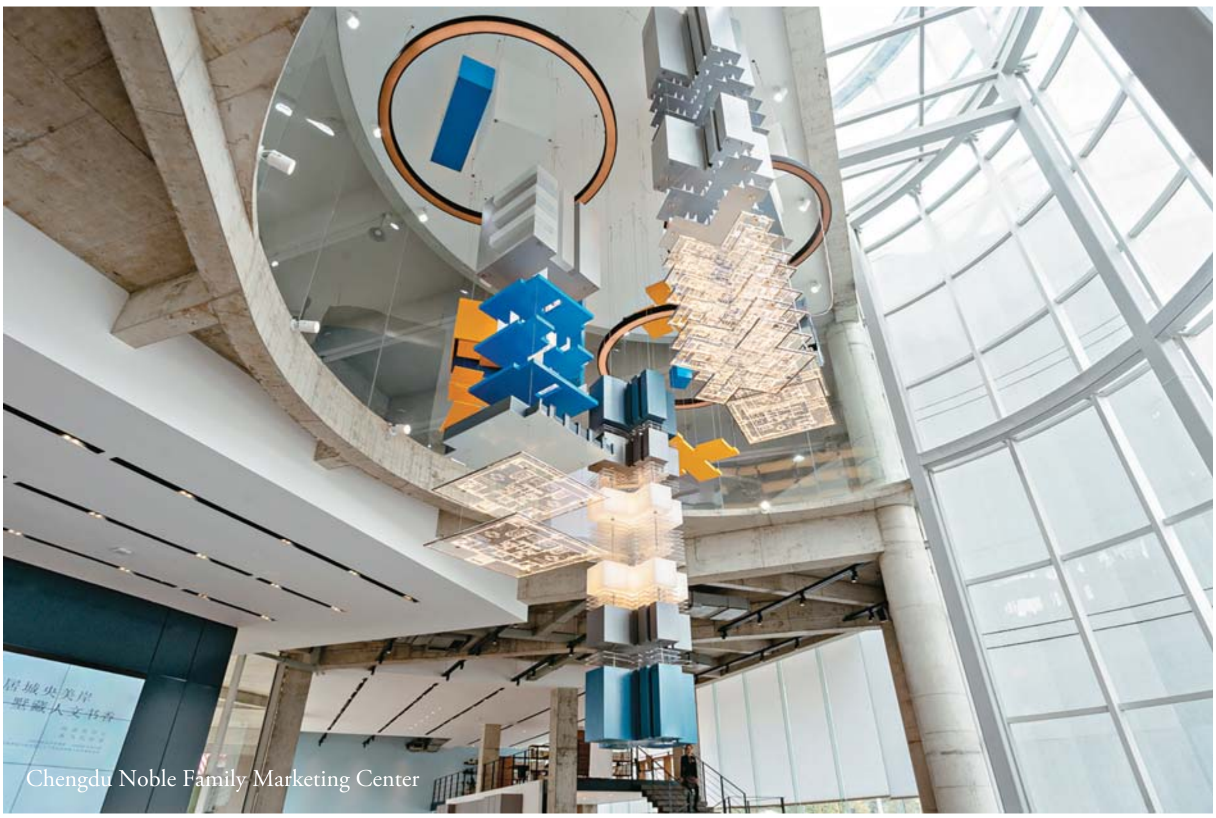
Ms. WONG Pui-sze, Priscilla, JP (**王沛詩**), aged 57, is an independent non-executive Director of the Company. She is also a member of each of the audit committee, remuneration committee and nomination committee of the Company respectively. Ms. Wong was appointed Justice of the Peace in 2005. She is a member of Chinese People's Political Consultative Conference, Shanghai Committee in the People's Republic of China. In Hong Kong, Ms. Wong serves as the Chairperson of Appeal Board Panel (Consumer Good Safety), Chairperson of Employees Compensation Assistance Fund Board, member of Court of University of Hong Kong, member of Panel of the Witness Protection Review Board, member of Financial Reporting Review Panel and member of Hong Kong Bar Association Special Committee on Overseas Admissions (Civil). She graduated from The University of Hong Kong with a Bachelor of Law (Hons) degree and a Master of Laws degree from the London School of Economics and Political Science of The University of London. Ms. Wong was called to the Bar in Hong Kong in 1985 and is a practising barrister in Hong Kong. She is a mediator of Centre for Effective Dispute Resolution and an arbitrator of China International Economic and Trade Arbitration Commission. Ms. Wong is also an advocate and solicitor admitted in Singapore.

Mr. GUO Shaomu (郭少牧), aged 52, is an independent non-executive Director of the Company. He is also a member of each of the audit committee, remuneration committee and nomination committee of the Company respectively. He has over 13 years of experience in investment banking in Hong Kong. From February 2000 to February 2001, Mr. Guo served as an associate director of corporate finance of Salomon Smith Barne, an investment bank principally engaged in providing financial services (an investment banking arm of Citigroup Inc.), where he was primarily responsible for supporting the marketing and execution works of the China team. From March 2001 to September 2005, Mr. Guo served as an associate director of global investment banking of HSBC Investment Banking, an investment bank principally engaged in providing financial services, where he was primarily responsible for the execution of China-related transactions. From October 2005 to April 2007, Mr. Guo served as a vice president and director of the real estate team of J.P. Morgan Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was primarily responsible for the marketing works covering the real estate sector in China. From April 2007 to April 2013, Mr. Guo served as a director and managing director of the real estate team of Morgan Stanley Investment Banking Asia, an investment bank principally engaged in providing financial services, where he was one of the key members responsible for the business in the real estate sector in the Greater China region. Since January 2014, Mr. Guo has been an independent non-executive director of Galaxycore Inc., a leading China-based fabless image sensor company targeting the global mobile device and consumer electronics market. Since June 2014, Mr. Guo has been an independent non-executive director of Yida China Holdings Limited (a company listed on the Main Board the Stock Exchange), a real estate developer based in Dalian, China. Mr. Guo received his bachelor's degree in electrical engineering from Zhejiang University in July 1989, a master's degree in computer engineering from University of Southern California in May 1993 and a master's degree in business administration from the School of Management of Yale University in May 1998.

Family Isall Smart Community Product Press Conference

Mr. JIAN Jianxun (簡堅訓), aged 47, is the deputy chief executive of Fantasia Group (China) Co., Limited, and is responsible for managing the legal department (法律事務部), overseas business department (海外事業部), trading company (貿易公司) and Beiyou Company (北油公司). Mr. Jian joined the Group in March 2014 and served as the general counsel (法務長) of Fantasia Holdings Group (China) Co., Limited from 2014 to 2015. Prior to joining the Group, he was a lawyer of Zhong Yin Law Firm in Beijing (北京中銀律師事務所) from 2013 to 2014 and senior legal specialist (法務高專), deputy manager (副理), manager, assistant manager (協理), deputy general manager (chief compliance officer (合規總監) and general counsel of the Group (集團法務長)) of Polaris Financial Group (寶來金融集團) from 2001 to 2012. Mr. Jian received a PhD in Law from University of International Business and Economics (對外經濟貿易大學) in 2013 and a Master's degree in International Laws (國際法) from Tamkang University (淡江大學) in Taiwan in 1998.

Ms. ZHANG Xiaofang (張曉芳), aged 49, is the deputy chief executive of Fantasia Group (China) Co., Limited, and is responsible for managing the Chief Executive Office (總裁辦) of China Group (中國集團), human resources department, Charity Foundation (公益基金會) and Qiertang Company (七二唐公司). Ms. Zhang joined the Group in December 2016. Prior to joining the Group, she was the deputy chief executive of Qianhai Fosun Ruizhe Asset Management Co., Ltd. (前海複星瑞哲資產管理有限公司) from 2014 to 2016, senior management consultant (高級管理顧問) of Jin Tong Asset Management Company Limited (金通資產管理有限責任公司) from 2013 to 2014; deputy chief executive and acting CEO of Chinalin Securities Co., Ltd. (華林證券有限責任公司) from 2011 to 2013, assistant general manager (administrative planning) of Ping An Life Insurance, Harbin Branch, general manager of human resources centre (staff service) of Ping An Insurance, general manager of human resources department of Ping An Securities from 1999 to 2011, deputy librarian (副館長) of the Heilongjiang University Yichun Campus Library (黑龍江大學分校圖書館) from 1993 to 1999 and staff member of Yichun Municipal Archives Bureau (伊春市檔案局) from 1990 to 1993. Ms. Zhang obtained her Bachelor's degree in Library Science (圖書情報) from Heilongjiang University in 1990.



Chengdu Noble Family Marketing Center

Mr. ZHOU Jinquan (周錦泉), aged 51, is the chief executive officer of Shenzhen Qianhai Fantasia Financial Community Group Company Limited, a wholly-owned subsidiary of the Company. Mr. Zhou joined the Group in January 2013 and is currently responsible for the business development and management of community finance. Prior to joining the Group, he was the deputy president of China Resources Bank of Zhuhai Head Office (珠海華潤銀行總行) from 2011 to 2013, deputy president of Guangxi Beibu Gulf Bank Head Office (廣西北部灣銀行總行) from 2008 to 2011, assistant to president of Guosen Securities (國信證券) from 2004 to 2008, general manager of International Department of Guoyuan Securities (國元證券國際部) from 2001 to 2004, deputy general manager of International Department, general manager of Business Department and Institution Department of Industrial and Commercial Bank, Shenzhen Branch (工商銀行深圳分行) from 1994 to 2001, staff member of General Office of Guangdong Provincial Government Institute of International Economic Technology (廣東省政府辦公廳國際經濟技術研究所) from 1992 to 1994 and staff member of Industrial and Commercial Bank, Beijing Branch, Haidian Office (工商銀行北京分行海淀分理處) from 1989 to 1990. Mr. Zhou obtained a Bachelor's degree in International Finance from Renmin University of China in 1989 and a Master's degree in International Finance from Renmin University of China in 1992.

Mr. LIU Zongbao (劉宗保), aged 49, is the president of Shenzhen Fantasia Real Estate Group Company Limited and is also the director of a number of subsidiaries of the Group. Mr. Liu joined the Group in March 2005 and served as the sales director of our Company and deputy general manager and general manager of the Chengdu branch of Fantasia Real Estate Group, and also vice president of Shenzhen Fantasia Real Estate Group Company Limited. Prior to joining our Group, he was deputy general manager of Shenzhen Zhonglian Real Estate Development Co., Ltd. (深圳市中聯房地產企業發展有限公司) from 2004 to 2005 and manager of the sales and marketing department of Shenzhen Xinghe Real Estate Development Co., Ltd. (深圳市星河房地產開發公司) from 2001 to 2003. Mr. Liu received his Bachelor's degree in construction management engineering from Southeast University (東南大學) in 1991. He is now studying an EMBA in China Europe International Business School.

Hankou Mixlife

Mr. TANG Xuebin (唐學斌), aged 50, was appointed as a director of Colour Life on 30 October 2012 and was re-designated as an executive director of Colour Life on 11 June 2014. He is also the chief executive officer of Colour Life. He joined the Group in 2002 and is responsible for the operation and management of Colour Life Group. He also serves as the general manager of a number of subsidiaries of Colour Life Group. Mr. Tang has over 20 years of experience in property management. Prior to joining the Group, he worked at China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company which is principally engaged in property management, from 1997 to 2001, where his last position held was deputy general manager and was primarily responsible for the management of its engineering department. Mr. Tang obtained a Bachelor's degree in industrial electrical automation (工業電氣自動化) from Tongji University (同濟大學) in July 1993, an Executive Master of Business Administration degree ("EMBA degree") from China Europe International Business School (中歐國際工商學院) in September 2010 and an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in June 2012.

Mr. CHEN Xiangming (陳湘明), aged 48, is the president of Shenzhen Home E&E Commercial Services Group Co. Ltd. (深圳市美易家商務服務集團有限公司). He joined the Group in July 2012 and is responsible for the overall management of Shenzhen Home E&E Commercial Services Group Co. Ltd. Prior to joining the Group, he was the general manager of Shenzhen Baopu Property Service Co., Ltd. (深圳市抱樸物業服務有限公司) from 2011 to 2012, general manager of Shenzhen Terra Property Management Service Co., Ltd. (深圳市泰然物業管理服務有限公司) from 2007 to 2011, general manager of Shenzhen Excellence Property Management Co., Ltd. (深圳市卓越物業管理有限公司) from 2006 to 2007, and vice-general manager of Shenzhen Fantasia Property Management Co., Ltd. (深圳市花樣年物業管理有限公司) from 2002 to 2006. Mr. Chen completed his tertiary education in Safety Engineering from Hunan University Hengyang Campus in 1992.

Chengdu JR Fantasia

Ms. LI Chuanyu (李傳玉), aged 49, is a chairman and CEO of the Shenzhen Qianhai Jianian Investment Fund Management Co., Ltd. (深圳前海嘉年投資基金管理有限公司), and also the director of a number of subsidiaries of the Group. Ms. Li joined the Group in May 2001. She was the deputy chief executive of Fantasia Group (China) Co., Limited during 2016 to 2017 and was responsible for managing the Foundation Company (基金公司) and the Company's Singapore branch (新加坡公司). She was the deputy chief executive of the Shenzhen Fantasia Real Estate Group Limited from 2011 to 2016, and was responsible for running the management and control center, including the financial management department, fund planning department, cost control department, as well as managing the development center (發展中心) and general contracting company (planning) (總承包公司 (籌)) at the same time. From 2001 to 2011, she was the chief financial officer of Shenzhen Fantasia Real Estate Group Limited, as well as chief financial officer and general manager of the financial management department of Fantasia Property Group Limited. Prior to joining the Group, she was the deputy manager of the financial department of Shenzhen Zhujiang Industry Company (深圳珠江實業公司) from 1996 to 2001. Ms. Li received a Master's degree in international accounting (國際會計) from the City University of Hong Kong in 2006.

Mr. QIU Zhidong (邱志東), aged 51, is the president of Shenzhen Fantasia Business Management Company Limited (深圳花樣年商業管理有限公司). Mr. Qiu joined the Group in June 2013 and is wholly responsible for the daily operation and management of Shenzhen Fantasia Business Management Company Limited. Prior to joining the Group, he was the vice president of Shenzhen Jinguanghua Shiye Group (深圳金光華實業集團) from 2005 to 2013, managing director of Shenzhen Jinguanghua Business Company Limited (深圳市金光華商業有限公司) from 2003 to 2005, general manager of Shenzhen Modern Friendship Co., Ltd (現代友誼股份有限公司)/Shenzhen Friendship Department Store Company Limited (深圳友誼城百貨有限公司) from 1997 to 2003, deputy director of Cadres Division of Organization Department (組織部幹部處) and Managerial Division of Corporate Leading Officers (企業領導人員管理處) of Shenzhen Municipal Committee of CPC (中共深圳市委) from 1992 to 1997, officer of Cadre Department of Organization Department of Chaozhou Municipal Committee of CPC (中共潮州市委組織部幹部科) from 1988 to 1992 and teacher of Chaozhou High School (潮州高級中學) in Guangdong Province in 1988. Mr. Qiu received a Master's degree in Business Administration from Hong Kong Baptist University in 2003 and a Bachelor's degree in Computer Science from Hanshan Normal University (韓山師範學院) in Guangdong Province in 1988.

Mr. WANG Jianning (王建寧), aged 51, is the president of Shenzhen Fantasia Culture and Tourism Management Company Limited (深圳花樣年文旅集團管理有限公司). Mr. Wang joined the Group in March 2017, and is wholly responsible for the daily operation and management of Shenzhen Fantasia Culture and Tourism Management Company Limited. Prior to joining the Group, he was the head of Southern Air News, Party committee secretary and vice minister of political work department in China Southern Air Holding Company, and president, general manager and Party committee secretary of China Southern Air Media during 2003 to 2017 and head of CAAC NEWS, Guangzhou Bureau from 1995 to 2003. Mr. Wang obtained an EMBA degree from the School of Economics and Management in Tsinghua University in 2008 and received a Bachelor degree in Chinese from Nanjing University in 1988.

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 57 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of comprehensive income on page 103.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement, Financial Review and Business Review sections respectively from pages 25 to 33, 35 to 40 and 41 to 57 of this Annual Report. The future development of the Group's business is discussed throughout this Annual Report including in the Chairman's Statement from pages 25 to 33 of this Annual Report. In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in this Annual Report in the Environmental, Social and Governance Report and Corporate Governance Report. This discussion forms part of this Directors' Report.

DIVIDENDS DISTRIBUTION

The Directors recommended the declaration of a final dividend at the rate of HK$7.00 cents per share payable on Wednesday, 27 June 2018 to all persons registered as holders of shares of the Company on Tuesday, 5 June 2018, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The aggregate amount shall be paid out of the Company's share premium account.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Tuesday, 29 May 2018, the register of members of the Company will be closed on Wednesday, 23 May 2018 to Tuesday, 29 May 2018, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 21 May 2018.

(b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed on Monday, 4 June 2018 to Tuesday, 5 June 2018, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 1 June 2018.

SHARE CAPITAL

Details of change in the share capital of the Company during the year are set out in note 45 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 13 to the consolidated financial statements.

RESERVES OF THE COMPANY

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2017 are set out in note 58 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:
Mr. Pan Jun (Chairman)
Ms. Zeng Jie, Baby
Mr. Lam Kam Tong
Mr. Zhou Jinquan (resigned on 17 January 2017)
Mr. Deng Bo (appointed on 17 January 2017)

Non-executive Directors:
Mr. Li Dong Sheng
Mr. Yuan Hao Dong (resigned on 31 March 2017)
Mr. Liao Qian (appointed on 31 March 2017)

Independent non-executive Directors:
Mr. Ho Man
Mr. Huang Ming
Dr. Liao Jianwen
Ms. Wong Pui Sze, Priscilla, JP
Mr. Guo Shaomu

In accordance with Article 84 of the Articles of Association, Mr. Li Dong Sheng, Mr. Huang Ming, Ms. Wong Pui Sze, Priscilla and Mr. Guo Shaomu shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM. A circular containing the biographical details of the Director candidates, the explanatory statement on buyback of the shares of the Company and the notice of the AGM will be sent to shareholders of the Company.

Each of Mr. Pan Jun and Ms. Zeng Jie, Baby entered into a service contract with the Company for an initial term of three years commencing from 25 November 2009. Their service contracts will be renewed on 25 November 2018 for another term of three years. Mr. Lam Kam Tong entered into a service contract with the Company for an initial term of three years commencing from 23 May 2012. Mr. Lam was then appointed as executive Director on 28 May 2012. His service contract was renewed on 28 May 2017 for another term of three years. Mr. Deng Bo was appointed as executive Director on 17 January 2017. Mr. Deng has entered into a service contract with the Company for an initial term of three years commencing from 17 January 2017. The above service contracts may only be terminated in accordance with the provisions of such service contract or by either party giving to the other not less than three months prior notice in writing.

Mr. Li Dong Sheng was appointed as non-executive Director for an initial term of three years commencing on 6 January 2014. His appointment was renewed on 6 January 2017 for another term of three years. Mr. Liao Qian was appointed as non-executive Director for a term of three years commencing on 31 March 2017.

Each of Mr. Ho Man and Mr. Huang Ming was appointed as independent non-executive Directors for an initial term of three years commencing from 25 November 2009. Their appointments will be renewed on 25 November 2015 for another term of three years. Each of Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu were appointed as independent non-executive Directors for an initial term of three years commencing from 17 February 2015. Their appointments were renewed on 17 February 2018 for another term of three years.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

SENIOR MANAGEMENT'S EMOLUMENTS

Pursuant to code provision B.1.5, the annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 31 December 2017 is set out below:

	Number of individuals
Nil to HK$1,000,000	33
HK$1,000,001 to HK$2,000,000	39
HK$2,000,001 to HK$3,000,000	10
HK$3,000,001 to HK$4,000,000	1
Above HK$4,000,000	2
	85

Details of the remuneration of each of the Directors for the year ended 31 December 2017 are set out in note 10 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) of the Company, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities in the Stock Exchange (the "Listing Rules") were as follows:

(i) Long positions in the shares and underlying shares of the Company:

Director	**Nature of interest**	**Interest in ordinary shares of the Company**	**Interest in underlying Shares of the Company**	**Approximate percentage of interest in the Company as at 31 December 2017**
Ms. Zeng Jie, Baby	Interest of controlled corporation	3,313,090,500[1]	–	57.50%
	Beneficial owner	–	9,980,000[2]	0.17%
Mr. Pan Jun	Beneficial owner	–	9,980,000[2]	0.17%
Mr. Lam Kam Tong	Beneficial owner	–	2,770,000[2]	0.05%
Mr. Ho Man	Beneficial owner	–	1,600,000[2]	0.03%
Mr. Huang Ming	Beneficial owner	–	1,600,000[2]	0.03%

Notes:

(1) Fantasy Pearl International Limited ("Fantasy Pearl") is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"). While Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.

(2) The relevant Director was granted options to subscribe for such number of shares of the Company under the Scheme (as defined under the sub-section headed "Share Option Scheme" in the "Corporate Governance and Other Information" section below) on 29 August 2011.

(ii) Long positions in the debentures of the Company:

– USD250,000,000 aggregate principal amount of its 10.75% senior notes due 2020 ("2020 USD Notes")

Director	Nature of interest	Amount of debentures of the Company held	Approximate percentage of the interest in the 2020 USD Notes as at 31 December 2017[1]
Mr. Guo Shaomu	Beneficial owner	USD400,000	0.16%

Note:
(1) The percentage of the interest in the USD Notes is based on the aggregate principal amount of USD250,000,000.

(iii) Long positions in association corporations:

A. Fantasy Pearl

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at 31 December 2017
Ms. Zeng Jie, Baby	Interest of controlled corporation	80[1]	Ordinary	80%
Mr. Pan Jun	Interest of controlled corporation	20[2]	Ordinary	20%

Notes:
(1) These are shares held by Ice Apex in Fantasy Pearl and Ice Apex is wholly owned by Ms. Zeng Jie, Baby.
(2) These are shares held by Graceful Star in Fantasy Pearl and Graceful Star is wholly owned by Mr. Pan Jun.

B. Colour Life

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at 31 December 2017
Ms. Zeng Jie, Baby	Interest of controlled corporation	722,331,259(1)	Ordinary	72.54%
Mr. Pan Jun	Beneficial owner	1,255,440(2)	Ordinary	0.13%
Mr. Lam Kam Tong	Beneficial owner	510,000(2)	Ordinary	0.05%
Dr. Liao Jianwen	Beneficial owner	510,000(2)	Ordinary	0.05%

Notes:

(1) These include (i) 503,956,782 shares in Colour Life held by the Company which is owned as to 57.50% by Fantasy Pearl which is in turn owned as to 80% by Ice Apex and 20% by Graceful Star and as Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie Baby is deemed to be interested in the shares of Colour Life held by the Company for the purpose of Part XV of the SFO; and (ii) pursuant to a concert party agreement dated 29 June 2015 entered into between the Company and Splendid Fortune Enterprise Limited ("Splendid Fortune"), each of the Company and Splendid Fortune is taken to be interested in the shares of Colour Life in which each other is interested for the purpose of Part XV of the SFO. As such, the Company, Fantasy Pearl, Ice Apex and Ms. Zeng Jie, Baby are also deemed to be interested in 217,031,477 shares of Colour Life held by Splendid Fortune for the purpose of Part XV of the SFO.

(2) These represent share options granted by Colour Life subject to vesting schedules.

C. Shenzhen Caizhiyun Network Technology Co., Ltd. ("Caizhiyun Network")

Director	Nature of interest	Registered capital (RMB)	Approximate percentage of interest in the associated corporation as at 31 December 2017
Mr. Pan Jun	Beneficial owner	7,000,000(1)	70%

Note:

(1) Caizhiyun Network is owned as to 70% by Mr. Pan Jun and 30% by Mr. Tang Xuebin. The financial results of Caizhiyun Network have been consolidated and accounted for as a subsidiary of Colour Life by virtue of certain structured contracts, details of which are disclosed in the section headed "History, Reorganization and the Group Structure" in Colour Life's prospectus dated 17 June 2014.

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") which became effective on 27 October 2009 for the purpose of rewarding eligible participants who have contributed to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants of the Scheme include Directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders. The maximum number of Shares in respect of which options may be granted under the Scheme to any individual in any 12-month period is not permitted to exceed 1% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the Shareholders (voting by way of poll). As at the date of this annual report, the total number of outstanding shares which may be issued under the Share Option Scheme is 85,100,840, representing 1.48% of the total number of shares of the Company in issue.

An offer of the grant of an option under the Scheme shall remain open for acceptance for 28 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK$1 per option to the Company as consideration. Options may be exercised in accordance with the terms of the Scheme at any time from the date of grant until the expiry of 10 years from such date. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a Share.

The summary below sets out the details of movement of options granted as at 31 December 2017 pursuant to the Share Option Scheme:

				Number of share option						
Name	Date of grant	Exercise price HK$	Closing price of the shares on the date of grant HK$	Balance as at 1 January 2017	Granted during the year	Exercisable/ exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2017	Weighted average closing price immediately before exercise HK$	Note
Mr. Pan Jun	29 August 2011	0.836	0.82	4,990,000	–	–	–	4,990,000	–	(2)
	16 October 2012	0.8	0.77	4,990,000	–	–	–	4,990,000	–	(3)
Ms. Zeng Jie, Baby	29 August 2011	0.836	0.82	4,990,000	–	–	–	4,990,000	–	(2)
	16 October 2012	0.8	0.77	4,990,000	–	–	–	4,990,000	–	(3)
Mr. Lam Kam Tong	16 October 2012	0.8	0.77	2,770,000	–	–	–	2,770,000	–	(3)
Mr. Deng Bo	29 August 2011	0.836	0.82	770,000	–	–	–	770,000	–	(1)
	16 October 2012	0.8	0.77	1,540,000	–	–	–	1,540,000	–	(3)
Mr. Ho Man	29 August 2011	0.836	0.82	800,000	–	–	–	800,000	–	(2)
	16 October 2012	0.8	0.77	800,000	–	–	–	800,000	–	(3)
Mr. Huang Ming	29 August 2011	0.836	0.82	800,000	–	–	–	800,000	–	(2)
	16 October 2012	0.8	0.77	800,000	–	–	–	800,000	–	(3)
Other employees	29 August 2011	0.836	0.82	18,463,100	–	(38,760)	–	18,424,340	1.300	(1)
	29 August 2011	0.836	0.82	9,380,000	–	(175,000)	–	9,205,000	1.255	(2)
	16 October 2012	0.8	0.77	29,242,900	–	(11,400)	–	29,231,500	1.300	(3)
Total				85,326,000	–	(225,160)	–	85,100,840		

Notes:

(1) The share options are exercisable during the following periods:
- (a) up to 10% of the share options granted to each grantee at any time after the expiration of 12 months from 29 August 2011 to 28 August 2021 and after the grantee has satisfied the vesting conditions specified by the Board;
- (b) up to 20% of the share options granted to each grantee at any time after the expiration of 24 months from 29 August 2011 to 28 August 2021 and after the Grantee has satisfied the vesting conditions specified by the Board; and
- (c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 29 August 2011 to 28 August 2021 and after the Grantee has satisfied the vesting conditions specified by the Board.

(2) The share options are exercisable during the following periods:
- (a) up to 10% of the share options granted to each grantee at any time after the expiration of 12 months from the 29 August 2011 to 28 August 2021;
- (b) up to 20% of the share options granted to each grantee at any time after the expiration of 24 months from 29 August 2011 to 28 August 2021; and
- (c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 29 August 2011 to 28 August 2021.

(3) The share options are exercisable during the following periods:
- (a) up to 10% of the share options granted to each grantee at any time after the expiration of 12 months from the 16 October 2012 to 15 October 2022 and after the grantee has satisfied the vesting conditions specified by the Board;
- (b) up to 20% of the share options granted to each grantee at any time after the expiration of 24 months from 16 October 2012 to 15 October 2022 and after the grantee has satisfied the vesting conditions specified by the Board; and
- (c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 16 October 2012 to 15 October 2022 and after the Grantee has satisfied the vesting conditions specified by the Board.

Colour Life adopted a share option scheme ("Colour Life Share Option Scheme") by the written resolutions of the Shareholders passed on 11 June 2014. The terms of the Colour Life Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The Colour Life Share Option Scheme is a share incentive scheme and is established to recognize, acknowledge and reward eligible participants who have contributed to the Colour Life Group and to encourage eligible participants to work towards enhancing the value of Colour Life. Eligible participants of the Colour Life Share Option Scheme include directors of Colour Life and employees of the Colour Life Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Colour Life Group who the board of directors of Colour Life (the "Colour Life Board") considers, in its sole discretion, have contributed or will contribute to the Colour Life Group. Subject to earlier termination by Colour Life in general meeting or by the Colour Life Board, the Colour Life Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

Chengdu Fantasia World Outlets

The total number of shares of Colour Life in respect of which options may be granted under the Colour Life Share Option Scheme is not permitted to exceed 10% in nominal amount of the aggregate of shares of Colour Life in issue, unless with the prior approval from Colour Life's shareholders. The maximum number of shares of Colour Life in respect of which options may be granted under the Colour Life Share Option Scheme to any individual in any 12-month period is not permitted to exceed 1% in nominal amount of the aggregate of shares of Colour Life issue, unless with the prior approval from Colour Life's shareholders and with such participants and his associates abstaining from voting. Options granted to any director, chief executive or substantial shareholder of Colour Life, or any of their respective associates, shall be subject to the prior approval of the independent non-executive directors of Colour Life. Where any option granted to a substantial shareholder or an independent non-executive director of Colour Life, or any of their respective associates, would result in the shares of Colour Life issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the shares of Colour Life in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares of Colour Life, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the shareholders of Colour Life (voting by way of poll). As at the date of this annual report, the total number of outstanding shares which may be issued under the Colour Life Share Option Scheme is 80,678,480, representing 8.10% of the total number of shares of Colour Life in issue.

An offer of the grant of an option under the Colour Life Share Option Scheme shall remain open for acceptance for 28 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK$1 per option to Colour Life as consideration. Options may be exercised in accordance with the terms of the Colour Life Share Option Scheme at any time from the date of grant until the expiry of 10 years from such date. The subscription price shall be determined by the Colour Life Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of the shares of Colour Life on the date of grant, (ii) the average closing price of the shares of Colour Life for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share of Colour Life. An option may be exercised in accordance with the terms of the Colour Life Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Colour Life Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Colour Life Share Option Scheme. Subject to earlier termination by Colour Life in general meeting or by the Colour Life Board, the Colour Life Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The summary below sets out the details of movement of options granted as at 31 December 2017 pursuant to the Colour Life Share Option Scheme:

				Number of share options						
Name	Date of grant	Exercise price HK$	Closing price of the shares on the date of grant HK$	Balance as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2017	Weighted average closing price immediately before exercise HK$	Note
Mr. Tang Xuebin	29 September 2014	6.66	6.66	547,790	–	–	–	547,790	–	(1)
				347,650				347,650		(2)
	30 April 2015	11.00	10.88	103,500	–	–	–	103,500	–	(3)
	18 March 2016	5.764	5.76	100,000	–	–	–	100,000	–	(4)
Mr. Dong Dong	29 September 2014	6.66	6.66	455,150	–	–	–	455,150	–	(1)
				347,650				347,650		(2)
	30 April 2015	11.00	10.88	123,500	–	–	–	123,500	–	(3)
	18 March 2016	5.764	5.76	100,000				100,000	–	(4)
Mr. Pan Jun	29 September 2014	6.66	6.66	547,790	–	–	–	547,790	–	(1)
				347,650				347,650		(2)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
Mr. Lam Kam Tong	29 September 2014	6.66	6.66	150,000	–	–	–	150,000	–	(2)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
Mr. Zhou Hongyi	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
Mr. Tam Chun Hung, Anthony	29 September 2014	6.66	6.66	150,000	–	–	–	150,000	–	(2)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
Dr. Liao Jianwen	29 September 2014	6.66	6.66	150,000	–	–	–	150,000	–	(2)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
Mr. Xu Xinmin	29 September 2014	6.66	6.66	150,000	–	–	–	150,000	–	(2)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
Employees of the Group, a resigned non-executive Director and certain minority shareholders of the Company's subsidiaries	29 September 2014	6.66	6.66	15,242,451	–	–	(1,119,703)	14,122,748	–	(1)
				19,433,154			(516,345)	18,916,809	–	(2)&(5)
	30 April 2015	11.00	10.88	18,801,113	–	–	(1,534,108)	17,267,005	–	(3)
	18 March 2016	5.764	5.76	31,453,738	–	–	(6,862,500)	24,591,238	–	(4)
Total				90,711,136	–	–	(10,032,656)	80,678,480	–	

Notes:

(1) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the date on which the share options were granted; (ii) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; and (iii) and the remaining one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016. The exercise period of these share options will expire on 28 September 2024.

(2) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 29 September 2017. The exercise period of these share options will expire on 28 September 2024.

(3) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 30 April 2016; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 30 April 2017; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 30 April 2018. The exercise period of these share options will expire on 29 April 2025.

(4) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 18 March 2017; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 18 March 2018; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 18 March 2019. The exercise period of these share options will expire on 17 March 2026.

(5) The exercise period of 150,000 share options granted to Mr. Zeng Liqing, who resigned as non-executive director of Colour Life on 21 April 2015, has been extended at the discretion of the board of Colour Life.

SHARE AWARD SCHEME

Colour Life also adopted a share award scheme with a size of RMB10.0 million in 2016. Through share repurchase and grant, mid-level and senior management officers with outstanding performance are awarded and recognised for their valuable contribution to the Colour Life Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Senior Notes

On 13 June 2017, the Company issued senior notes due 2018 with principal amount of USD350,000,000 at a coupon rate of 5.5% per annum (the "5.5% Original Notes due 2018") for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the 5.5% Original Notes due 2018 are disclosed in the announcements of the Company dated 6, 7 and 14 June 2017.

On 5 July 2017, the Company issued senior notes due 2022 with principal amount of USD300,000,000 at a coupon rate of 7.95% per annum (the "7.95% Original Notes due 2022") for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the 7.95% Original Notes due 2022 are disclosed in the announcements of the Company dated 28 June, 29 June and 7 July 2017.

On 18 September 2017, the Company issued additional 5.5% senior notes due 2018 in the principal amount of US$137,000,000 on terms and conditions of the 5.5% Original Notes due 2018 (the "5.5% Additional Notes due 2018"), which is consolidated and form a single series with the 5.5% Original Notes due 2018, for the purposes of refinancing certain of its existing indebtedness.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

BORROWINGS

Details of the borrowings of the Group are set out in note 39 of the consolidated financial statements.

DIRECTOR'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 56 to the consolidated financial statements, no significant contract, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

No management contracts in force during the year for the management and administration of the whole or any substantial part of the Group's business subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, so far as the Directors are aware, the following persons (other than the Directors and the chief executive of the Company) or institutions have interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Director	Nature of interest	Number of shares	Approximate percentage of interest in our Company as at 31 December 2017
Fantasy Pearl	Beneficial owner	3,313,090,500 (L)	57.50%
Ice Apex	Interest of controlled corporation	3,313,090,500 (L)[(1)]	57.50%
T. C. L. Industries Holdings (H.K.) Limited	Beneficial owner	1,001,537,074 (L)[(2)]	17.38%
TCL Corporation	Interest of controlled corporation	1,001,537,074 (L)[(2)]	17.38%
CITIC Securities Company Limited	Interest of controlled corporation Interest of controlled corporation	302,068,800 (L)[(3)] 490,861,800 (S)[(3)]	5.24% 8.52%

(L) denotes long position
(S) denotes short position

Notes:
(1) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.
(2) As at 31 December 2017. T.C.L. Industries Holdings (H.K.) Limited held 1,001,537,074 shares of the Company representing 17.38% interest in the Company. T.C.L. Industries Holdings (H.K.) Limited is wholly owned by TCL Corporation. TCL Corporation is deemed to be interested in the shares held by T.C.L. Industries Holdings (H.K.) Limited for the purpose of Part XV of the SFO.
(3) Total of 302,068,800 shares in long position and 490,861,800 shares in short position held by CSI Capital Management Limited directly. CSI Capital Management Limited is wholly owned by CITIC CLSA Global Markets Holdings Limited. CITIC CLSA Global Markets Holdings Limited is wholly owned by CLSA B.V. CLSA B.V. is wholly owned by CITIC Securities International Company Limited. CITIC Securities International Company Limited is wholly owned by CITIC Securities Company Limited. CITIC Securities Company Limited is deemed to be interested in the shares held by CSI Capital Management Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as of 31 December 2017, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the reporting period, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers or suppliers. The Company does not consider that the Company is in reliance or dependent on any major customers or suppliers for its success.

CONTINUING CONNECTED TRANSACTION

The Company has entered into the following continuing connected transaction during the year ended 31 December 2017:

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2011 version) (《外商投資產業指導目錄》(2011年修訂)), value-added telecommunications service is subject to foreign investment restriction in which a foreign investor shall hold no more than 50% equity interest in a value-added telecommunications services provider in the PRC. Internet content provision services, or ICP services, belong to a subcategory of value-added telecommunications services. Colour Life's PRC legal advisor (the "Legal Advisor") has advised that the community leasing, sales and other services provided by Shenzhen Color Life Network Service Co., Ltd. ("Shenzhen Colour Life Network Service") through the Colour Life website constitute value-added telecommunications services. According to the Administrative Rules for Foreign Investment in Telecommunications Enterprises (《外商投資電信企業管理規定》), foreign investors shall contribute no more than 50% of the registered capital of a value-added telecommunications services provider and any such foreign investor shall maintain a good track record and possess relevant operational experience in the value-added telecommunication services industry (the "Qualification Requirement").

Based on consultations with the relevant personnel responsible for the approval of value-added telecommunications services at MIIT and the Guangdong Communications Administration Bureau (廣東省通信管理局), the Legal Advisor has advised that in order to demonstrate that it has satisfied the Qualification Requirement, a foreign investor shall provide the competent PRC authority with its telecommunications services business operating license issued by the relevant authority at its place of registration (equivalent of the ICP License issued by the Ministry of Industry and Information Technology of the PRC (the "MIIT") and its financial reports of the most recent three years. However, the MIIT did not specify during the Legal Advisor's consultations what would constitute "a good track record" and "relevant operational experience" and there are no specific written guidelines in this regard or in respect of whether and what type of documentation is required to establish the requisite credentials in cases where there is no telecommunications service business licensing regime in the jurisdiction or country in which the foreign investor provides the relevant telecommunication services.

As for the legality of the contractual arrangements, the Legal Advisor, after taking reasonable actions and steps to reach its legal conclusions including consulting the MIIT where the representative stated that there is no regulation enforceable or promulgated by the MIIT which prohibits or restricts the operation of value-added telecommunication businesses by foreign investors through contractual arrangements such as the Structured Contracts, are of the view that each of the Structured Contracts individually and collectively do not violate any of the applicable PRC laws and regulations. Legal Advisor is also of the view that the MIIT is the competent regulatory authority to give such assurance and interpret the Structured Contracts.

Based on the above-mentioned restriction under the relevant laws and regulations of the PRC, the Colour Life Group is not entitled to acquire the equity interest in Shenzhen Caizhiyun Network Technology Co., Ltd. ("Shenzhen Caizhiyun Network"). To enable the Colour Life Group to continue to manage and operate the online business of Shenzhen Caizhiyun Network and be entitled to all the economic benefits generated from such online business of Shenzhen Caizhiyun Network, Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network, Mr. Pan and Mr. Tang entered into the exclusive management and operation agreement, the call option agreement, the shareholders' rights entrustment agreement, the equity pledge agreement and the power of attorney (collectively the "Structured Contracts") on 16 June 2014 such that the Colour Life Group are entitled to all the economic benefits generated from online community leasing, sales and other services business of Shenzhen Caizhiyun Network (the "Contractual Arrangement"). The Structured Contracts have an initial term of 10 years which is renewable for a

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successive term of 10 years. Colour Life is exploring various opportunities in building up our community leasing, sales and other services business operations overseas for the purposes of being qualified as early as possible, to acquire the entire equity interest of Shenzhen Caizhiyun Network if and when the restrictions under the relevant PRC law on foreign ownership in value-added telecommunication enterprises are lifted. For details of the Structured Contracts, please refer to the section headed "History, Reorganization and the Group Structure – The Structured Contracts" in Colour Life's prospectus dated 17 June 2014.

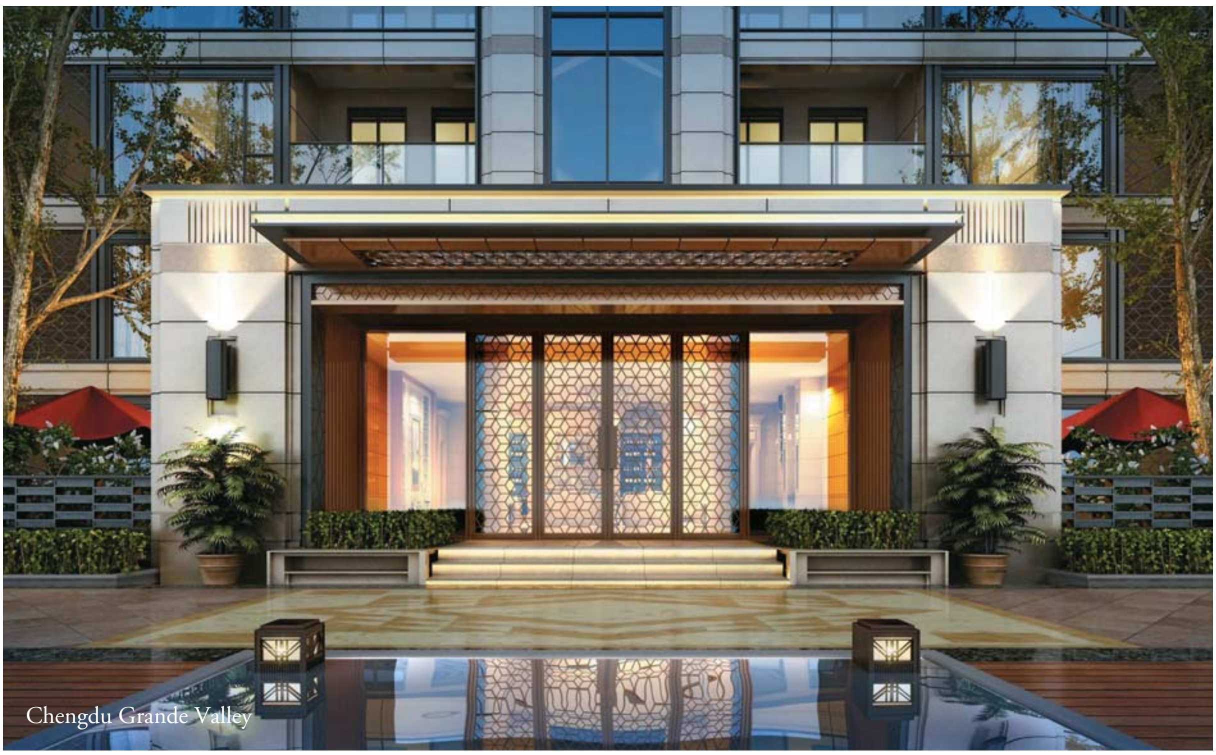
Upon signing of the Structured Contracts, Shenzhen Caizhiyun Network was treated as a wholly-owned subsidiary of Colour Life and the accounts of which are consolidated with those of the Company. Given the registered capital of Shenzhen Caizhiyun Network is held as to 70% by Mr. Pan, being the chairman of the Company, an executive Director and a substantial shareholder of the Company, the chairman and a non-executive director of Colour Life, and as to 30% by Mr. Tang, being an executive director, the chief executive officer and a substantial shareholder of Colour Life, Mr. Pan and Mr. Tang are therefore connected

persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Structured Contracts therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Save for the exclusive management and operation agreement which involves the payment of a service fee by Shenzhen Caizhiyun Network to Shenzhen Colour Life Network Service on an annual basis, each of the Structured Contracts does not involve payment of any consideration.

The Structured Contracts, taken as a whole, permit the results and financial operations of Shenzhen Caizhiyun Network to be consolidated in the Company, through the Colour Life Group, as if it was the Company's subsidiary resulting in all economic benefits of its business flowing to the Company. Through the appointment by Shenzhen Colour Life Network Service of all directors and senior management of Shenzhen Caizhiyun Network, the Directors believe that Shenzhen Colour Life Network Service is able to effectively supervise, manage and operate the business operations, expansion plans, financial policies and assets of Shenzhen Caizhiyun Network, and at the same time, ensure due implementation of the Structured Contracts. According to Hong Kong Financial Reporting Standards, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Although the Company does not directly or indirectly own Shenzhen Caizhiyun Network, the Structured Contracts enable the Company, through Colour Life, to exercise control over and receive economic benefits generated from the business operation of Shenzhen Caizhiyun Network and the validity and legality of the Structured Contracts have been confirmed by Colour Life's People's Republic of China (the "PRC") legal advisor. Colour Life Group derives economic benefits from the online community leasing, sales and other services provided by Shenzhen Caizhiyun Network through the website and mobile applications to the residents in the residential communities that Colour Life manages or provides consultancy services to. Under such circumstances, the Directors are of the view that it is fair and reasonable for Shenzhen Colour Life Network Service to be entitled to all the economic benefits generated from Shenzhen Caizhiyun Network. The Structured Contracts also permit Shenzhen Colour Life Network Service to exclusively acquire all or


Chengdu Grande Valley

part of the equity interest in Shenzhen Caizhiyun Network, if and when permitted by PRC laws and regulations. Notwithstanding the Group's lack of equity ownership in Shenzhen Caizhiyun Network, the Group is able to control the business and financial position of Shenzhen Caizhiyun Network in substance through the Structured Contracts. As a result of the Structured Contracts, Shenzhen Caizhiyun Network is accounted for as the Company's subsidiary, through Colour Life, and its financial position and operating results are consolidated in the Company's consolidated financial statements. The revenue and total asset value subject to the Contractual Arrangements amounted to approximately RMB67.4 million for the year ended 31 December 2017 and approximately RMB3.3 million as of 31 December 2017, respectively.

Pursuant to the Structured Contracts, any dispute arising from the interpretation and performance of the Structured Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the South China International Economic and Trade Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof.

The Company had applied and the SEHK had granted a waiver that the Structured Contracts are exempt from the annual cap and independent shareholders' approval requirements under Rules 14A.36 and 14A.53 of the Listing Rules.

Mr. Pan and Mr. Tang may potentially have a conflict of interest with the Group. Both of Mr. Pan and Mr. Tang have undertaken to Shenzhen Colour Life Network Service that during the period when the Contractual Arrangement remains effective, (i) unless otherwise agreed to by Shenzhen Colour Life Network Service in writing, the relevant shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, or be interested, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of Shenzhen Caizhiyun Network or any of its affiliates; and (ii) any of his actions or omissions would not lead to any conflict of interest between him and Shenzhen Colour Life Network Service (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where Shenzhen Colour Life Network Service has the sole absolute discretion to determine whether such conflict arises), he agrees to take any appropriate actions as instructed by Shenzhen Colour Life Network Service.


Huizhou Kangchengsiji

Furthermore, the Group conducts its business operation in the PRC through Shenzhen Caizhiyun Network by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws. As advised by the Company's PRC legal advisers, the Contractual Arrangements were narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

To ensure proper implementation of the Structured Contracts, Colour Life also takes the following measures:

(a) as part of the internal control measures, major issues arising from implementation and performance of the Structured Contracts was reviewed by the Colour Life Board on a regular basis which will be no less frequent than on a quarterly basis;

(b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) was discussed at such regular meetings which was no less frequent than on a quarterly basis;

(c) the relevant business units and operation divisions of the Colour Life Group reported regularly, which was no less frequent than on a monthly basis, to the senior management of Colour Life on the compliance and performance conditions under the Structured Contracts and other related matters;

(d) the compliance department of Colour Life, headed by Mr. Duan Feiqin ("Mr. Duan"), monitored the proper implementation and Mr. Pan's and Mr. Tang's compliance with the Structured Contracts; and

(e) also, pursuant to the exclusive management and operation agreement, the bank accounts of Shenzhen Caizhiyun Network were operated through its company seal and the personal seal of a director nominated by Shenzhen Colour Life Network Service. The company seal is currently kept by Mr. Duan.

The Board confirmed that there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and its impact on the issuer group.

The board also confirmed that there is no unwinding of Structured Contracts or failure to unwind when the restrictions that led to the adopted of Structured Contracts are removed.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company, namely Mr. Ho Man, Mr. Huang Ming, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu have reviewed the Structured Contracts and confirmed that the Structured Contracts have been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, Deloitte Touche Tohmatsu, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the continuing connected transaction abovementioned:

(i) has not been approved by the Board;

(ii) are not in accordance with the pricing policies of the Company if the transactions involve provision of goods and services by the Company;

(iii) have not been entered into in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the respective annual caps.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2017, certain Directors and companies controlled by certain Directors entered into transactions with the Group which are disclosed in note 56 "Related Party Transactions" to the consolidated financial statements of the Group. Save as disclosed in the section headed "Continuing Connected Transaction", the Board confirmed that none of these related party transactions constitutes a disclosable connected transaction as defined under the Listing Rules.

INTERESTS IN COMPETITORS

None of the Directors or chief executive of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2017.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the reporting period, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a prorate basis to existing shareholders.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group, such as the Listing Rules and the Revised Hong Kong Financial Reporting Standards. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of its directors at the date of this annual report, the Company has maintained sufficient public float throughout the year ended 31 December 2017.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Details of significant events occurring after the end of the reporting period are set out in note 59 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Pan Jun
Chairman

Hong Kong, 19 March 2018

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("Corporate Governance Code") contained in Appendix 14 to the Listing Rules. For the period throughout the year ended 31 December 2017, the Board is of the view that the Company has complied with the code provisions under the Corporate Governance Code save and except for code provisions A.2.1 and E.1.2 of which will be explained below.

In respect of the code provision A.2.1 of the Corporate Governance Code, Mr. Pan Jun is the chairman of the Board and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Pan and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

In respect of the code provision E.1.2 of the Corporate Governance Code, the Chairmen of the Remuneration Committee was not present at the AGM of the Company held on 24 May 2017 due to other business commitment and no delegate was appointed to attend the AGM.

Shenzhen Lung Kei Sea

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances, and has full and timely access to all relevant information in relation to the Group's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess respectively professional qualifications and related management experience in the areas of financial accounting, law, global economy and real estate and have contributed to the Board with their professional opinions.

Further, the Board is in charge of the task of maximizing the financial performance of the Company, formulating strategies and management policies of the Group, approving strategic objectives and is responsible for providing the shareholders with a long-term return with stable and continuous growth.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

Composition and qualification requirements

The Board currently comprises of four executive Directors, being Mr. Pan Jun (Chairman), Ms. Zeng Jie, Baby, Mr. Lam Kam Tong and Mr. Deng Bo, two non-executive Directors, being Mr. Li Dong Sheng and Mr. Liao Qian, and five independent non-executive Directors, being Mr. Ho Man, Mr. Huang Ming, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu. Biographical details of each Director are set out on pages 59 to 63.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board.

Save as disclosed herein, throughout the year ended 31 December 2017 and up to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and the independent non-executive directors represented over one-third of the Board.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

Board meetings and annual general meeting

The Board meets on a regular basis and ten Board meetings and one annual general meeting for the year ended 31 December 2017 were held during the year. The individual attendance record is as follows:

Directors	No. of Board meetings attended/ No. of Board meetings held	AGM
Executive		
Mr. Pan Jun	7/7	1/1
Ms. Zeng Jie, Baby	1/7	0/1
Mr. Lam Kam Tong	7/7	1/1
Mr. Zhou Jinquan (resigned on 17 January 2017)	0/7	0/1
Mr. Deng Bo (appointed on 17 January 2017)	6/7	0/1
Non-executive Directors		
Mr. Li Dong Sheng	4/7	0/1
Mr. Yuan Hao Dong (resigned on 31 March 2017)	1/7	0/1
Mr. Liao Qian (appointed on 31 March 2017)	3/7	0/1
Independent non-executive Directors		
Mr. Ho Man	4/7	1/1
Mr. Huang Ming	4/7	0/1
Dr. Liao Jianwen	4/7	0/1
Ms. Wong Pui Sze, Priscilla, JP	1/7	0/1
Mr. Guo Shaomu	4/7	0/1

Directors have timely access to relevant information prior to each board meeting. Directors are given the opportunity to include matters in the agenda for regular board meetings while Directors are entitled to have access to board papers and related materials to allow them to make informed decisions on matters arising from board meetings.

Minutes of board meetings and meetings of other committees are kept by the Company Secretary and are open for inspection by Directors.

Appointment and re-election of Directors

All executive Directors have entered into service contracts with the Company for a specific term of three years, all non-executive Directors have entered into letters of appointment with the Company for a specific term of three years, and all independent non-executive Directors have entered into letters of appointment with the Company for a specific term of three years. One-third of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with our Company's Articles of Association. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election and those of the other Directors who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting and be eligible for re-election. Any Director appointed pursuant to the aforesaid Article shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Internal control

The Board is responsible for maintaining and reviewing the effectiveness of the internal control system of the Group. It has carried out reviews of the existing implemented system and procedures, including control measures of financial and operational compliance and risk management functions of the Group twice per annum.

Directors' Training and professional development

All directors should keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable induction programme and on-going training and professional development programme for the Directors. Accordingly, the Company will arrange an induction programme newly appointed director before his/her formal appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements being a newly appointed director. The Company further arranges an on-going training and professional development seminar for Directors.

During the year of 2017, all Directors were provided with monthly newsletter on the Group's business, operations and financial matters as well as updates, if any, on applicable legal and regulatory and market changes to facilitate the discharge of their responsibilities. The Company had also regularly circulated reading materials on the amendments to or updates on the relevant laws, rules and regulations to all Directors as part of their training materials in the continuous professional development plan of the Company and the Company confirmed that all Directors read the training materials. Continuing briefings and professional development for directors will be arranged whenever necessary.

All Directors had provided the Company Secretary with their training records for the year of 2017.

Indemnification of Directors and officers

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and chief executive officer of our Company is Mr. Pan Jun. The reasons for the two roles are being performed by the same individual are set out on the section "Corporate Governance Code" of this report.

BOARD COMMITTEES

To enhance the effectiveness of the management of the Company, the Board has established three committees, namely the audit committee, the nomination committee and the remuneration committee to monitor corresponding aspects of the Company's affairs. The composition and the roles and functions of each committee are summarised as follows.

Audit Committee

The Company has established the audit committee (the "Audit Committee") in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Audit Committee on 22 December 2015. The revised terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The annual results of the Company have been reviewed by the Audit Committee.

The Audit Committee currently comprises five independent non-executive Directors, including Mr. Ho Man, Mr. Huang Ming, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu, while Mr. Ho Man is the chairman of the Audit Committee. During the year of 2017, the Audit Committee held two meetings. The individual attendance record is as follows:

Directors	**No. of meetings attended/ No. of meetings held**
Mr. Ho Man (Committee chairman)	2/2
Mr. Huang Ming	2/2
Dr. Liao Jianwen	2/2
Ms. Wong Pui Sze, Priscilla, JP	1/2
Mr. Guo Shaomu	2/2

The major roles and functions of the Audit Committee are to review and monitor the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit.

The Audit Committee also performs the Company's corporate governance functions including:

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

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

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

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

(e) to review the Company's compliance with the Corporate Governance Code and disclosures in this corporate governance report.

During the reporting period, the Audit Committee had been provided with the Group's financial statements, internal controls reports and other necessary financial information to consider, review and access significant issues arising from the financial statements, internal controls and work conducted. The Audit Committee also recommended the appointment of external auditors for the Company.

Remuneration Committee

The Company has established the remuneration committee (the "Remuneration Committee") in compliance with the Listing Rules. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Remuneration Committee on 12 March 2012. The revised terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee currently comprises an executive Director, Mr. Pan Jun, and five independent non-executive Directors, Mr. Huang Ming, Mr. Ho Man, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu, while Mr. Huang Ming is the chairman of the Remuneration Committee. During the year of 2017, the Remuneration Committee held two meetings. The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. Huang Ming (Committee chairman)	2/2
Mr. Pan Jun	2/2
Mr. Ho Man	2/2
Dr. Liao Jianwen	2/2
Ms. Wong Pui Sze, Priscilla, JP	1/2
Mr. Guo Shaomu	2/2

The Remuneration Committee is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management member(s), as well as reviewing and determining the remuneration of all executive Directors and senior management member(s) with reference to the Company's objectives from time to time.

During the year ended 31 December 2017, the Remuneration Committee reviewed, and determined the remuneration package of the Directors and senior management. The remuneration policy of the Group and details of the remuneration of the Directors are set out in the section headed "Report of the Directors" and note 10 to the financial statements.

Nomination Committee

The Company has established the nomination committee (the "Nomination Committee") in compliance with the Listing Rules to fulfill the functions of reviewing the structure of and nominating suitable candidates to the Board. In order to comply with the Corporate Governance Code, the Board adopted a revised terms of reference of the Nomination Committee on 30 August 2013. The revised terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises two executive Directors, Mr. Pan Jun and Ms. Zeng Jie, Baby and five independent non-executive Directors, Mr. Ho Man, Mr. Huang Ming, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu. During the year of 2015, the Nomination Committee held one meeting. The individual attendance record is as follows:

Directors	No. of meetings attended/ No. of meetings held
Mr. Pan Jun (Committee chairman)	2/2
Ms. Zeng Jie, Baby	1/2
Mr. Ho Man	2/2
Mr. Huang Ming	2/2
Dr. Liao Jianwen	2/2
Ms. Wong Pui Sze, Priscilla, JP	1/2
Mr. Guo Shaomu	2/2

The Nomination Committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the Nomination Committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge with reference to the "Board Diversity Policy" adopted by the Board on 29 August 2013 and the requirements under the Listing Rules.

Based on the above criteria, members of the Nomination Committee have also reviewed the composition of the Board which is determined by directors' skills and experience appropriate to the Company's business, the Nomination Committee confirmed that the existing Board was appropriately structured and no change was required.

During the year ended 31 December 2017, the Nomination Committee accessed the independence of the independent non-executive Directors and the Directors to be re-elected at the 2018 annual general meeting of the Company before

AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2017 is set out in the section headed "Independent Auditors' Report" in this annual report.

During the year, the total remuneration in respect of statutory audit services paid to the Company's auditors, Messrs. Touche Tohmatsu amounted to approximately RMB5,200,000.

INTERNAL CONTROLS

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness in order to safeguard the Group's assets and shareholders' interests. The Board will conduct regular review regarding internal control systems of the Group.

During the year ended 31 December 2017, the Audit Committee reviewed and discussed with the Group's internal audit team and the senior management on the adequacy and effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. The Audit Committee further made recommendations to the Board to ensure reliability of financial reporting and compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board, to identify and manage potential risks of the Group. Besides, the Audit Committee and the Board will also perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

In respect of the year ended 31 December 2017, the Board considered the internal control and risk management system effective and adequate. No significant areas of concern that might affect shareholders were identified during the Relevant Period.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The reporting responsibilities of our Company's external auditors on the financial statements of the Group are set out on page 94 of the "Independent Auditors' Report" in this annual report.

COMPANY SECRETARY

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

SHAREHOLDERS RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to the article 58 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of 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.

Procedures by which enquiries may be put to the Board

Shareholders are provided with contact details of the Company, such as website, telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board or the company secretary through the above means. If shareholders have any enquiries in respect of their shareholdings and entitlements to dividend, they may contact Computershare Hong Kong Investor Services Limited, our share registrar from time to time.

INVESTOR RELATIONS

Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2017.

Effective Communication with Shareholders and Investors

As a showpiece of the Company facing the capital market, the Board believes that a transparent and timely disclosure of the Group's latest information will enable the shareholders and investors to have better understanding on the Group's operations and strategies. The Company recognises the importance of maintaining effective investor relations with the existing and potential investors. To enhance the communication between the Company and the investors, as well as to maintain the transparency of the Company, the team of Investor Relations engages in providing effective ways for shareholders and investors to obtain latest company information. In addition to the issue of monthly and quarterly newsletters and interim and annual financial reports, the Company's website at "www.cnfantasia.com" also acts as a communication platform with shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. The Company will also actively correspond to any enquiries raised by the shareholders and investors through emails and phone calls. Meanwhile, the Company has also arranged company meetings, telephone conferences, investors meetings, luncheons and site visits, held a number of non-deal road shows and actively participated in a couple of global investors conferences and forums held by investment banks.

The Board also considers that general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee, Remuneration Committee and Nomination Committee normally attend the annual general meetings and other shareholders' meetings of the Company to reply questions raised.

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions proposed at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnfantasia.com) immediately after the relevant general meetings.

Deloitte. 德勤

TO THE MEMBERS OF FANTASIA HOLDINGS GROUP CO., LIMITED
花樣年控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 103 to 240, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of properties for sale	
We identified the valuation of properties for sale as a key audit matter due to the significant estimates involved in the determination of net realisable value (the "NRV") of the properties for sale. As disclosed in note 26 to the consolidated financial statements, the Group had properties under development for sale of RMB19,068,179,000 and completed properties for sale of RMB4,709,787,000 (collectively referred to as the "properties for sale") as at 31 December 2017, which are situated in the People's Republic of China (the "PRC"). Certain residential properties and carparks of the Group are not located in the downtown with the slim profit margins which indicate possible potential impairment loss on the properties for sale. As disclosed in note 4 to the consolidated financial statements, the properties for sale are stated at the lower of cost and the NRV. The NRV is determined by reference to the estimated selling prices of the properties for sale, which takes into account a number of factors including the latest market prices of similar property types in the same project or by similar properties, and the prevailing real estate market conditions in the PRC, less estimated selling expenses and estimated cost to completion. The management assessed the NRV of the properties with possible potential impairment indication with reference to the valuations carried out by an independent qualified professional valuer not connected with the Group ("the Valuer"). Based on the management's analysis of the property for sale, no write-downs were considered to be necessary in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.	Our procedures in relation to assessing management's assessment of the valuation of the properties for sale included: • Assessing the management's process of reviewing the budgeted cost of the properties for sales and the determination of the NRV of properties for sales; • Evaluating the reasonableness of the estimated cost to completion of the properties under development for sale, on a sample basis, by comparing it to the actual development cost of similar completed properties and comparing the adjustments made by the management to current market data; • Assessing the appropriateness of the estimated selling prices of the properties for sale used by the management with reference to the latest market prices achieved in the same projects or by comparable properties, including an evaluation of the appropriateness of the comparable properties used by the management of the Group based on our knowledge of the Group's business and the PRC real estate industry; • Obtaining the valuation reports provided by the Valuers for the residential properties and carparks with possible potential impairment indication and comparing the carrying amounts of the aforesaid residential properties and carparks to the corresponding valuation amounts; • Assessing the competence, capabilities and objectivity of the Valuer; and • Obtaining the detailed work of the Valuer on the residential properties and carparks with possible potential impairment indication to evaluate the accuracy and relevance of key data inputs underpinning the valuation and challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in the PRC.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables arose from sales of properties	
We identified the recoverability of trade receivables arose from sales of properties as a key audit matter as it is quantitatively significant to the consolidated financial statements as a whole, combined with the significant degree of estimation by the management, in considering the estimation of collection which may affect the carrying value of the Group's trade receivables in assessing the recoverability of trade receivables. As at 31 December 2017, the carrying amounts of the Group's trade receivables arose from sales of properties are RMB1,007,710,000, as disclosed in note 27 to the consolidated financial statements. As disclosed in note 4 to the consolidated financial statements, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Based on the management's analysis of estimated impairment of trade receivables arose from sale of properties, no allowance for bad and doubtful debts was considered to be necessary in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.	Our procedures in relation to assessing the recoverability of trade receivables arose from sales of properties included: • Assessing the management's process of reviewing the recoverability of trade receivables arose from sales of properties; • Assessing the management's process in determining present value of estimated future cash flows of trade receivables arose from sales of properties with reference to the relevant terms of the sales and purchase agreements; • Obtaining the aging analysis of trade receivables arose from sales of properties and discussing with the management the actions they have taken to recover the long outstanding debts; • Checking the terms set out in the sales and purchase agreements regarding sale by mortgage, on a sample basis, and obtaining mortgage approval documents from the banks to substantiate the unconditional approval of mortgage facilities granted by the banks to the property buyers; and • Checking the terms set out in the sales and purchase agreements regarding sale by instalments, on a sample basis, and agreeing the settlement of receivables from sales of properties by instalments to supporting documentation including bank statements and bank slips.

Key audit matter	How our audit addressed the key audit matters
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the estimates associated with determining the fair value. As disclosed in note 14 to the consolidated financial statements, the investment properties of the Group mainly represent commercial buildings, offices and carparks located in the PRC and carried at RMB10,194,164,000 as at 31 December 2017, including completed investment properties of RMB8,704,339,000 and investment properties under construction of RMB1,489,825,000, which represent 14.8% of the Group's total assets. Change in fair value of investment properties of RMB966,184,000 and recognition of change in fair value of completed properties for sale upon transfer to investment properties of RMB118,589,000 were recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended. All of the Group's investment properties are stated at fair value based on valuations performed by the Valuer. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The valuations of the completed investment properties are dependent on certain key inputs, including term yield, reversionary yield, vacancy ratio and adjustment made to account for differences in location. The valuations of investment properties under construction are dependent on gross development value, developer's profit, marketing costs, construction costs to completion, and market unit sales rate.	Our procedures in relation to assessing the appropriateness of the carrying values of the investment properties included: • Evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement; • Evaluating the appropriateness of the Valuer's valuation approach to assess if they are consistent with the requirements of HKFRSs and industry norms; • Obtaining the detailed work of the Valuer, particularly the key inputs to the valuation on completed investment properties including but not limited to the comparable market prices of properties, term yield, reversionary yield of rental income and vacancy ratio; and the key inputs to the valuation on investment properties under construction including but not limited to the gross development value, developer's profit, marketing costs, construction costs to completion; • Evaluating the accuracy and relevance of key data inputs underpinning the valuation and challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in the PRC; • Obtaining the latest budget for construction and other costs of investment properties under construction and checking to the information obtained by the Valuer for the valuation; and • Evaluating the sensitivity analysis prepared by the management on the key inputs to evaluate the magnitude of their impacts on the fair values and assessing the appropriateness of the disclosures relating to these sensitivities.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill arising on acquisition of businesses through acquisition of subsidiaries as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amount of the cash-generating units to which goodwill has been allocated. As disclosed in note 4 to the consolidated financial statements, the management assessed the impairment of goodwill by estimation of recoverable amount of the cash-generating units to which goodwill has been allocated which is the higher of the value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by the management of the Group and a suitable discount rate in order to calculate the present value. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates, discount rates and cash inflows/outflows including revenue, gross profit and operating expenses estimated. As disclosed in note 18 to the consolidated financial statements, the carrying amount of goodwill was RMB2,299,758,000 representing 3.3% of total assets of the Group, the balance of impairment was RMB81,574,000 as at 31 December 2017 and the impairment loss of RMB50,058,000 was recognised by the management of the Group during the year ended 31 December 2017.	Our procedures in relation to the impairment assessment of goodwill included: • Discussing with the management to understand the key estimations made by the management in the impairment assessment of goodwill including the growth rates, discount rates and expected future cash inflows/outflows including revenue, gross profit and operating expenses estimated; • Evaluating the reasonableness of the growth rates and expected future cash inflows/outflows, including revenue, gross profit and operating expenses estimated, based on the Group's historical financial performance; • Evaluating the appropriateness of discount rates applied in the forecast by comparing them to economic and industry data; and • Evaluating the reasonableness of the financial budgets approved by the management and the cash flow projections by comparing the actual results of those cash-generating units to the previously forecasted results used in the impairment assessment of goodwill.

Key audit matter	How our audit addressed the key audit matter
Revenue recognised from sales of properties	
We identified revenue recognised from sales of properties as a key audit matter as the revenue from sales of properties is quantitatively significant to the consolidated statement of profit or loss and other comprehensive income and there is judgment involved in determining the appropriate point at which to recognise revenue from sales of properties. As disclosed in note 3 to the consolidation financial statements, revenue from sales of properties in the PRC is recognised when the properties are completed and delivered to the buyers pursuant to the relevant terms of sales and purchase agreements. The Group recognised revenue of RMB6,598,470,000 from sales of properties for the year ended 31 December 2017, which is disclosed in note 5 to the consolidated financial statements.	Our procedures in relation to revenue recognised from sales of properties included: • Assessing the management's process and control over the point of time at which revenue from sales of properties is recognised; • Evaluating the terms set out in the sales and purchase agreements, and assessing whether the significant risks and rewards of ownership of the properties have been transferred to the buyers by reviewing the relevant documents including completion certificates and delivery notices, on a sample basis; and • Performing physical inspection on the inventory of properties and examining the completion certificates, on a sample basis, and checking if the properties were completed.

Key audit matter	How our audit addressed the key audit matter
Intangible assets arising from acquisition of Wanxiangmei Property Management Co., Ltd ("Wanxiangmei")	
We identified the accounting for acquisition of Wanxiangmei as a key audit matter due to the significant degree of estimation made by the management of the Group in accordance with HKFRS 3 "Business Combinations" ("HKFRS 3"). As disclosed in note 46 to the consolidated financial statements, the consideration in relation to the intangible assets arising from acquisition of Wanxiangmei was RMB1,039,214,000. In the application of HKFRS 3, the management applied significant estimations in assessing the fair values of the identifiable net assets acquired at the date of acquisition, including the estimates in calculating the fair value of intangible assets and the liabilities assumed. The fair value of intangible assets of RMB1,039,214,000 acquired in acquisition of Wanxiangmei are based on the valuation performed by the Valuer.	Our procedures in relation to assessing the appropriateness of the accounting for the acquisition included: • Obtaining an understanding of how the management accounted for this acquisition under HKFRS 3; • Discussing with the management the key estimates adopted by the management in assessing the fair values of the identifiable net assets acquired and the liabilities assumed at the date of acquisition, including the growth rates, discount rates and expected future cash inflows/outflows; • Evaluating the appropriateness of the discount rates by comparing them to economic and industry data; • Evaluating the reasonableness of the growth rates and expected future cash inflows/outflows based on the Group's past experience; • Evaluating the Valuer's competence, capabilities and objectivity; and • Involving our internal valuation experts to evaluate the valuation techniques and reasonableness of the significant inputs, on a sample basis, used by the Valuer for the calculation of the fair values of the intangible assets acquired in the business combination.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 the independent auditor's report is Lam Chi Hong.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2018

For the year ended 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	5	9,782,568	10,920,638
Cost of sales and services		(6,884,964)	(7,392,156)
Gross profit		2,897,604	3,528,482
Other income, gains and losses	6	1,009,049	(585,172)
Change in fair value of investment properties	14	966,184	405,076
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	26	118,589	478,005
Selling and distribution expenses		(417,872)	(222,772)
Administrative expenses		(1,229,847)	(851,273)
Finance costs	7	(1,279,587)	(932,238)
Share of results of associates		8,843	(2,528)
Share of results of joint ventures		167,670	48,504
Gain on disposal of subsidiaries	47(a) and (c)	326,285	640,080
Profit before tax	8	2,566,918	2,506,164
Income tax expense	9	(1,157,207)	(1,441,816)
Profit for the year		1,409,711	1,064,348
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		(8,035)	(22,974)
Income tax relating to items that will not be reclassified to profit or loss		2,009	5,743
Other comprehensive expense for the year, net of income tax		(6,026)	(17,231)
Total comprehensive income for the year		1,403,685	1,047,117
Profit for the year attributable to:			
Owners of the Company		1,154,316	805,736
An owner of perpetual capital instrument		–	37,550
Other non-controlling interests		255,395	221,062
		1,409,711	1,064,348
Total comprehensive income for the year attributable to:			
Owners of the Company		1,150,710	795,426
An owner of perpetual capital instrument		–	37,550
Other non-controlling interests		252,975	214,141
		1,403,685	1,047,117
Earnings per share – basic (RMB)	12	0.20	0.14
Earnings per share – diluted (RMB)	12	0.20	0.14

At 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,611,084	2,078,272
Investment properties	14	10,194,164	6,981,839
Interests in associates	15	1,174,908	735,336
Interests in joint ventures	16	1,060,057	951,667
Available-for-sale investments	17	117,663	30,215
Goodwill	18	2,299,758	912,750
Intangible assets	19	1,319,901	259,248
Prepaid lease payments	20	754,720	1,765,515
Premium on prepaid lease payments	21	1,268,992	1,592,486
Other receivables	27	167,624	244,038
Deposits paid for potential acquisitions of subsidiaries	22	799,606	267,130
Deposit paid for acquisition of a property project	23	159,214	159,073
Deposits paid for acquisitions of land use rights	24	118,103	1,095,077
Deferred tax assets	25	461,990	466,577
		22,507,784	17,539,223
CURRENT ASSETS			
Properties for sale	26	23,777,966	15,347,979
Inventories		194,655	80,414
Prepaid lease payments	20	18,228	48,151
Premium on prepaid lease payments	21	19,233	28,744
Trade and other receivables	27	4,129,404	4,604,211
Amounts due from customers for contract works	28	104,079	73,627
Tax recoverable		85,990	96,458
Amounts due from non-controlling shareholders of the subsidiaries of the Company	29	1,052,812	82,330
Amounts due from joint ventures	30	362,935	355,775
Amounts due from associates	31	27,567	–
Amounts due from related parties	32	–	233,726
Financial assets at fair value through profit or loss ("FVTPL")	33	234,460	127,275
Restricted/pledged bank deposits	34	2,106,552	1,997,824
Bank balances and cash	34	14,335,075	9,136,526
		46,448,956	32,213,040
CURRENT LIABILITIES			
Trade and other payables	35	9,282,468	4,445,008
Deposits received for sale of properties		5,503,060	2,817,149
Amounts due to customers for contract works	28	13,778	16,746
Amount due to a non-controlling shareholder of the Company	36	–	310,438
Amounts due to joint ventures	37	10,000	294,157
Amounts due to associates	38	13,513	1,061,338
Tax liabilities		4,431,080	4,151,634
Borrowings due within one year	39	3,022,026	929,458
Obligations under finance leases	40	51,693	23,610
Senior notes and bonds	41	4,484,610	1,575,183
Assets backed securities issued	42	42,533	37,642
Defined benefit obligations	43	220	5,171
Provisions	44	40,131	37,154
		26,895,112	15,704,688
NET CURRENT ASSETS		19,553,844	16,508,352
TOTAL ASSETS LESS CURRENT LIABILITIES		42,061,628	34,047,575

At 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	1,754,528	1,236,629
Borrowings due after one year	39	6,841,619	2,438,008
Obligations under finance leases	40	259,299	88,538
Senior notes and bonds	41	15,320,332	16,804,442
Assets backed securities issued	42	185,204	237,442
Defined benefit obligations	43	2,615	121,781
		24,363,597	20,926,840
NET ASSETS		17,698,031	13,120,735
CAPITAL AND RESERVES			
Share capital	45	497,868	497,848
Reserves		12,139,049	10,457,503
Equity attributable to owners of the Company		12,636,917	10,955,351
Non-controlling interests		5,061,114	2,165,384
		17,698,031	13,120,735

The consolidated financial statements on pages 103 to 240 are approved and authorised for issue by the Board of Directors on 19 March 2018 and are signed on its behalf by:

PAN JUN
EXECUTIVE DIRECTOR

LAM KAM TONG
EXECUTIVE DIRECTOR

For the year ended 31 December 2017

	Attributable to owners of the Company										Attributable to non-controlling interests					
	Share capital RMB'000	Share premium RMB'000 (note i)	Special reserve RMB'000 (note ii)	Share options reserve RMB'000 (note iii)	Contribution reserve RMB'000 (note iv)	Statutory reserves RMB'000 (note v)	Discretionary reserves RMB'000 (note v)	Revaluation reserve RMB'000 (note vi)	Accumulated profits RMB'000	Sub-total RMB'000	Perpetual capital instrument RMB'000	Share options reserve of Colour Life RMB'000	Share options reserve of Morning Star RMB'000	Other non-controlling interests RMB'000	Non-controlling interests Sub-total RMB'000	Total RMB'000
At 1 January 2016	497,797	2,200,190	246,141	17,933	40,600	59,183	1,477	20,368	7,324,802	10,408,491	710,500	118,114	28	1,002,904	1,831,546	12,240,037
Profit for the year	–	–	–	–	–	–	–	–	805,736	805,736	37,550	–	–	221,062	258,612	1,064,348
Remeasurement of defined benefit obligations	–	–	–	–	–	–	–	(13,746)	–	(13,746)	–	–	–	(9,228)	(9,228)	(22,974)
Deferred taxation liability arising from remeasurement of defined benefit obligations	–	–	–	–	–	–	–	3,436	–	3,436	–	–	–	2,307	2,307	5,743
Other comprehensive expense for the year	–	–	–	–	–	–	–	(10,310)	–	(10,310)	–	–	–	(6,921)	(6,921)	(17,231)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(10,310)	805,736	795,426	37,550	–	–	214,141	251,691	1,047,117
Issue of shares upon exercise of share option	51	706	–	(342)	–	–	–	–	–	415	–	–	–	–	–	415
Dividend distributed to shareholders of the Company (note 11)	–	(255,793)	–	–	–	–	–	–	–	(255,793)	–	–	–	–	–	(255,793)
Recognition of equity-settled share-based payments (note 53)	–	–	–	–	–	–	–	–	–	–	–	79,041	2,914	–	81,955	81,955
Acquisition of subsidiaries (note 46 (a) and (b))	–	–	–	–	–	–	–	–	–	–	–	–	–	538,149	538,149	538,149
Acquisition of additional interests in subsidiaries from non-controlling shareholders	–	–	(177)	–	–	–	–	–	–	(177)	–	–	–	(109)	(109)	(286)
Deemed partial disposal of interest in a subsidiary without loss of control	–	–	6,989	–	–	–	–	–	–	6,989	–	–	–	64,770	64,770	71,759
Redemption of perpetual capital instrument	–	–	–	–	–	–	–	–	–	–	(700,000)	–	–	–	(700,000)	(700,000)
Distribution to a holder of perpetual capital instrument	–	–	–	–	–	–	–	–	–	–	(48,050)	–	–	–	(48,050)	(48,050)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(5,473)	(5,473)	(5,473)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	159,915	159,915	159,915
Shares repurchase under the share award scheme of Colour Life (note vii)	–	–	–	–	–	–	–	–	–	–	–	–	–	(9,010)	(9,010)	(9,010)
Transfer	–	–	–	–	–	13,591	–	–	(13,591)	–	–	–	–	–	–	–
At 31 December 2016	497,848	1,945,103	252,953	17,591	40,600	72,774	1,477	10,058	8,116,947	10,955,351	–	197,155	2,942	1,965,287	2,165,384	13,120,735
Profit for the year	–	–	–	–	–	–	–	–	1,154,316	1,154,316	–	–	–	255,395	255,395	1,409,711
Remeasurement of defined benefit obligations	–	–	–	–	–	–	–	(4,808)	–	(4,808)	–	–	–	(3,227)	(3,227)	(8,035)
Deferred taxation liability arising from remeasurement of defined benefit obligations	–	–	–	–	–	–	–	1,202	–	1,202	–	–	–	807	807	2,009
Other comprehensive expense for the year	–	–	–	–	–	–	–	(3,606)	–	(3,606)	–	–	–	(2,420)	(2,420)	(6,026)

For the year ended 31 December 2017

	Attributable to owners of the Company										Attributable to non-controlling interests					
	Share capital RMB'000	Share premium RMB'000 (note i)	Special reserve RMB'000 (note ii)	Share options reserve RMB'000 (note iii)	Contribution reserve RMB'000 (note iv)	Statutory reserves RMB'000 (note v)	Discretionary reserves RMB'000 (note v)	Revaluation reserve RMB'000 (note vi)	Accumulated profits RMB'000	Sub-total RMB'000	Perpetual capital instrument RMB'000	Share options reserve of Colour Life RMB'000	Share options reserve of Morning Star RMB'000	Other non-controlling interests RMB'000	Non-controlling interests Sub-total RMB'000	Total RMB'000
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(3,606)	1,154,316	1,150,710	–	–	–	252,975	252,975	1,403,685
Issue of shares upon exercise of share option	20	201	–	(57)	–	–	–	–	–	164	–	–	–	–	–	164
Dividend distributed to shareholders of the Company (note 11)	–	(250,049)	–	–	–	–	–	–	–	(250,049)	–	–	–	–	–	(250,049)
Recognition of equity-settled share-based payments (note 53)	–	–	–	–	–	–	–	–	–	–	–	45,303	1,913	–	47,216	47,216
Acquisition of subsidiaries (note 46 (a) and (b))	–	–	–	–	–	–	–	–	–	–	–	–	–	94,791	94,791	94,791
Disposal of subsidiaries (note 47(a))	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,193)	(1,193)	(1,193)
Deemed disposal of partial interests in subsidiaries without loss of control (note 47(b))	–	–	780,741	–	–	–	–	–	–	780,741	–	–	–	2,521,869	2,521,869	3,302,610
Disposal of partial interest in a subsidiary resulting in loss of control (note 47(c))	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,106)	(1,106)	(1,106)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(55,832)	(55,832)	(55,832)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	55,797	55,797	55,797
Cancelled upon repurchase of shares of Colour life	–	–	–	–	–	–	–	–	–	–	–	–	–	(18,787)	(18,787)	(18,787)
Transfer	–	–	–	–	–	12,956	–	–	(12,956)	–	–	–	–	–	–	–
At 31 December 2017	497,868	1,695,255	1,033,694	17,534	40,600	85,730	1,477	6,452	9,258,307	12,636,917	–	242,458	4,855	4,813,801	5,061,114	17,698,031

Notes:

(i) Pursuant to article 16 of the Company's Article of Association, the Company (as defined in note 1) is permitted to pay out dividend from share premium account.

(ii) Special reserve arising from the acquisition or disposal of equity interests in subsidiaries without loss of control. It represented the difference between the consideration paid or received and the adjustment to the non-controlling interests in subsidiaries.

(iii) Share options reserve represented the share-based payment under the Company's share option scheme.

(iv) Contribution reserve represented (a) the contribution/distribution to shareholders during the group reorganisation in 2009; (b) the difference between consideration paid and fair value of net assets acquired from related parties; (c) the difference between the consideration received and carrying amount of net assets disposed of to related parties during the Group reorganisation in 2009; and (d) the waiver of shareholder loans in 2009.

(v) The statutory reserve and discretionary reserve attributable to subsidiaries in the People's Republic of China (the "PRC") are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and transfer to capital upon approval from the relevant authorities.

(vi) Revaluation reserve represented surplus arose from the transfer of owner-occupied property to investment properties at the date of change in use and remeasurement of defined benefit obligations.

(vii) On 4 July 2016, a share award scheme was adopted by Colour Life Service Group Co., Limited ("Colour Life"), a non-wholly owned subsidiary of the Company with its shares listed on The Stock Exchange of Hong Kong Limited (the "SEHK"), to certain employees and consultants of Colour Life ("Grantees") as incentives or rewards for their contribution or potential contribution to Colour Life. The shares to be awarded are repurchased and held by an independent trustee appointed by Colour Life ("Trustee"). As at 31 December 2016, 1,607,000 shares of Colour Life have been repurchased by the Trustee under the share award scheme and the total consideration for acquisition of the aforesaid shares were RMB9,010,000, which was recognised as a deduction to the other non-controlling interests. As at 31 December 2017, the shares held for the share award scheme have not been awarded to Grantees.

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before tax	2,566,918	2,506,164
Adjustments for:		
Change in fair value of investment properties	(966,184)	(405,076)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	(118,589)	(478,005)
Change in fair value of financial assets at FVTPL	(4,457)	(2,828)
Release of prepaid lease payments	19,218	14,487
Release of premium on prepaid lease payments	23,990	17,874
Amortisation of intangible assets	32,199	26,604
Depreciation of property, plant and equipment	176,906	174,102
Share-based payment expenses	47,216	81,955
Loss on disposal of property, plant and equipment	3,146	4,364
Gain on disposal of subsidiaries	(326,285)	(640,080)
Gain on remeasurement of interests in joint ventures and available-for-sale investments	(562,719)	–
Allowance for bad and doubtful debts	62,012	40,771
Impairment of goodwill	50,058	–
Interest income	(88,631)	(33,260)
Investment income from land development	–	(5,787)
Finance costs	1,279,587	902,550
Loss on early redemption of senior notes	116,933	29,688
Net foreign exchange (gain) loss	(598,535)	665,820
Share of results of associates	(8,843)	2,528
Share of results of joint ventures	(167,670)	(48,504)
Operating cash flows before movements in working capital	1,536,270	2,853,367
Additions to prepaid lease payments	(45,001)	(1,073,311)
(Increase) decrease in properties for sale	(2,403,994)	3,581,379
Increase in inventories	(114,241)	(15,190)
Increase in deposits paid for acquisition of land use rights	–	(45,000)
Decrease (increase) in trade and other receivables	1,035,368	(971,898)
(Increase) decrease in amounts due from customers for contract works	(30,452)	15,310
Increase in amounts due from related parties	(31,747)	(30,623)
Increase in amount due from a joint venture	–	(1,369)
Decrease in amounts due to customers for contract works	(2,968)	(395)
Increase (decrease) in trade and other payables	1,316,608	(1,663,250)
Increase in provisions	2,977	22,281
Decrease in defined benefit obligations	(133,527)	(981)
Increase (decrease) in deposits received for sale of properties	2,226,994	(2,447,922)
Cash generated from operations	3,356,287	222,398
Income tax paid	(540,181)	(571,075)
Interest paid	(2,134,451)	(1,508,386)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	681,655	(1,857,063)

For the year ended 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Deposit paid for acquisition of a property project		(141)	(18,127)
Increase in restricted/pledged bank deposits		(108,728)	(661,342)
Settlement of consideration payables and amount due to a non-controlling shareholder of the Company on acquisition of assets and liabilities through acquisition of subsidiaries and acquisition of businesses		(479,821)	(565,605)
Settlement of consideration receivables of disposal of subsidiaries		358,000	761,000
Purchases of property, plant and equipment		(502,890)	(213,879)
Additions to investment properties		(1,721,268)	(294,229)
Acquisition of assets and liabilities through acquisition of subsidiaries (net of cash and cash equivalents acquired)	46(a)	(835,525)	(755,602)
Acquisition of businesses (net of cash and cash equivalents acquired)	46(b)	914,973	(616,089)
Deposits paid for potential acquisitions of subsidiaries		(635,737)	(88,692)
Refund of deposits paid for acquisition of a subsidiaries		849	38,000
Investments in associates		(387,085)	(64,000)
Investments in joint ventures		(442,081)	(111,119)
Dividend received from a joint venture		10,396	–
Interest received		88,631	33,260
Proceeds from disposal of property, plant and equipment		6,314	7,671
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	47(a)	342,649	1,607,646
Disposal of partial interests in subsidiaries resulting in loss of control	47(c)	611,053	204,862
Advance of loan receivables		(71,611)	(330,250)
Repayment of loan receivables		322,017	3,000
Purchase of available-for-sale investments		(107,951)	(20,200)
Settlement of receivable from the Pixian Government		–	390,000
Settlement of receivable from the Chengdu Government		5,061	420,000
Proceeds from disposal of investment properties		867,448	1,051,689
Advances to joint ventures		(7,160)	(1,936,431)
Advances to associates		(121,398)	–
Advance to related parties		–	(18,321)
Advances to non-controlling shareholders of the subsidiaries of the Company		(82,932)	(49,951)
Repayment from joint ventures		–	407,027
Repayment from associates		15,365	–
Repayment from related parties		265,473	1,523,228
Repayment from non-controlling shareholders of the subsidiaries of the Company		12,450	9,570
Repayment from certain former subsidiaries		–	323,340
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(1,683,649)	1,036,456

For the year ended 31 December 2017

	NOTE	2017 RMB'000	2016 RMB'000
FINANCING ACTIVITIES			
Net proceeds from the issuance of senior notes and bonds		5,419,191	9,304,790
Repayment of senior notes		(1,454,238)	(1,000,000)
Redemption of senior notes		(2,140,294)	(388,227)
Net proceeds from the issuance of assets backed securities		–	284,930
Repayment of principal receipts under securitisation arrangements		(51,250)	(12,500)
Contribution from non-controlling shareholders of the subsidiaries		55,797	159,915
Dividend paid to non-controlling shareholders of the subsidiaries		(55,832)	(5,473)
Deemed disposal of partial interests in subsidiaries without loss of control	47(b)	2,402,610	71,759
New borrowings raised		7,215,981	2,312,760
Repayment of borrowings		(3,400,951)	(2,988,388)
Distribution to an owner of perpetual capital instrument		–	(48,050)
Redemption of perpetual capital instrument		–	(700,000)
Dividend paid to shareholders of the Company		(250,049)	(255,793)
Acquisition of additional interest in subsidiaries		–	(286)
Repayment of obligations under finance leases		(27,780)	(49,640)
Issue of share upon exercise of share option		164	415
Repurchase of shares under shares award scheme of Colour Life		(18,787)	(9,010)
Advances from joint ventures		24,500	390,842
Advances from associates		9,700	1,061,338
Repayments to joint ventures		(307,977)	(1,126,700)
Repayments to associates		(1,057,897)	–
NET CASH FROM FINANCING ACTIVITIES		6,362,888	7,002,682
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,360,894	6,182,075
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		9,136,526	2,881,511
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(162,345)	72,940
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		14,335,075	9,136,526

For the year ended 31 December 2017

1. GENERAL

Fantasia Holdings Group Co., Limited (the "Company") is a limited company incorporated in Cayman Islands and its shares are listed on the SEHK. Its parent and its ultimate parent are Fantasy Pearl International Limited and Ice Apex Limited, respectively, both being limited liability companies incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling shareholder is Ms. Zeng Jie, Baby, who is a director of the Company. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 57.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS12	As part of the Annual Improvements to HKFRS 2014–2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior year and/or on the disclosures set out in these consolidation financial statements.

Amendments to HKAS 7 disclosures initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flow from those financial assets were or future cash flow will be included in cash flows from financing activities.

Specially, the amendments require the following to be disclosed(i) changes from financing cash flows; (ii) changes arising from obtaining or loss control of subsidiaries or other business; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 48. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the addition disclosure in note 48, the application of these amendments has had no impact on the Group's consolidated financial statements.

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

Except as described below, the directors of the Company do not anticipate that the application of other new and revised HKFRSs and interpretation issued but not yet effective, will have a material effect on the Group's consolidated financial statements in the foreseeable future.

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 17: these securities qualified for designation as FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with the fair value gains or losses and the deferred tax effect of the fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial recognition of HKFRS 9, the directors of the Company consider that no significant fair value gain or losses on unlisted equity investments would be adjusted to investments revaluation reserve as at 1 January 2018.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 "Financial Instruments" (continued)

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

HKFRS 15 "Revenue from contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 15 "Revenue from contracts with Customers" (continued)

The directors of the Company have assessed the impact on application of HKFRS 15 and anticipate an impact on revenue and cost of sales and services from the sale of properties in the following areas:

- The Group has considered all the relevant facts and circumstances in assessing whether the property sales contacts contain significant financing component, including the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transfers the property to the customer and the customer pays for the property and the prevailing interest rates in the relevant market. The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts which are expected to be completed within one year from the date of payment made by customers.

- Currently, the Group expensed off the costs associated with obtaining the property sales contracts with customers. Under the requirement of HKFRS 15, incremental costs of obtaining a contract is eligible for capitalisation as deferred contract costs if they meet certain criteria. Accordingly, the directors of the Company expect a recognition of deferred contract costs amounting to RMB111,000,000, resulting in increase in opening retained profit and recognition of deferred tax liabilities at 1 January 2018.

In addition, the application of HKFRS 15 in future may result in more disclosures in the consolidated financial statements.

The directors of the Company intend to apply the limited retrospective method with cumulative effect of initial application recognised in opening balance of equity at 1 January 2018.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presented upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

For the year ended 31 December 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 16 "Leases" (continued)

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group as lessee has non-cancellable operating lease commitments of RMB588,533,000 as disclosed in note 51. A preliminary assessment indicated that these arrangements will meet the definition of a lease. Upon application of HKFRS16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term.

In addition, the Group currently considers refundable rental deposits paid of RMB12,028,000 and refundable rental deposits received of RMB24,102,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the stock exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A fair value measurement of a non-financial asset take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangement of the acquire or share- based payment arrangement of the Group entered into to replace share- based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share- based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata based on the carrying amount of each asset in the unit (or group of cash-generating units).

Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in a subsequent periods.

On disposal of the relevant cash- generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal (or any of the cash-generating units within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for the goodwill arising on the acquisition of an associate and joint ventures is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. Under the equity method, an investment in an associate or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "*Impairment of Assets*" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint venture, it is accounted for as disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest in a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint ventures and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, other similar allowances and sale-related tax in the PRC.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Sale of properties

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Agency fee, service income, management fee, parking fee and consultation fee

Agency fee, service income, management fee, parking fee and consultation fee are recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Construction contract revenue

Where the outcome of the construction contract revenue can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Construction contract revenue (continued)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works.

Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received included in other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

Hotel operation

Revenue from hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services is recognised when the services are rendered.

Interest income

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner occupied purpose

When buildings are in the course of development for production, or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs and interest expense incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an assets individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 (or a cash-generating units) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Properties for sale

Completed properties and properties under development for sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Cost of each unit in each phase of development is determined using the weighted average method.

Net realisable value represents the estimated selling price for properties for sale less all estimated costs of completion and costs necessary to make the sale.

The Group transfers a property from inventories to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranties

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: loans and receivables, financial assets at FVTPL and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised by applying the effective interest rate for debt instruments.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, (ii) it is at FVTPL or (iii) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gain and losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item.

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investment or (c) financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables (non-current), trade and other receivables, amounts due from non-controlling shareholders of the subsidiaries of the Company, joint ventures, associates and related parties, restricted/pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

Financial assets other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company or its subsidiaries are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Senior notes and bonds and assets backed securities issued

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

Bonds and assets backed securities issued by the subsidiaries of the Company that contain both liability and put option (which is closely related to the host contracts) are not separated into host contract and embedded derivatives on initial recognition. At the date of issue, the bonds and assets backed securities issued are recognised at fair value.

In subsequent periods, the liability component of the senior notes, bonds and assets backed securities issued are carried at amortised cost using the effective interest method. The early redemption option of senior notes is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that related to the issue of the senior notes and bonds and assets backed securities issued are included in the carrying amount of the senior notes and bonds and assets backed securities issued and amortised over the period of the senior notes and bonds and assets backed securities issued using the effective interest method.

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables, amounts due to a non-controlling shareholder of the Company, joint ventures and associates and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets"; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Share options scheme

Equity-settled share-based payments to employees are measured at fair value of equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in equity (share option reserve).At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all the relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy above).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building

When the Group makes payments for a property interest which a lease includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted for as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance leases.

Prepaid lease payments

The prepaid lease payments represent upfront payments for land use rights for the purpose of development of properties for sale or for use in the production or supply of goods or services, and are initially recognised at cost and released to profit or loss over the remaining lease term on a straight-line basis. The prepaid lease payments in respect of development of projects for sale whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

Premium on prepaid lease payments

The premium on prepaid lease payments represent the excess of the consideration paid over the carrying amount of the prepaid lease payments in respect of leasehold lands in the PRC acquired through acquisition of assets and liabilities through acquisition of subsidiaries and released to profit or loss over the remaining lease term on a straight-line basis. The premium on prepaid lease payments in respect of projects whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Remeasurement, comprising actuarial gains and losses is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in accumulated earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line items of administrative expenses and finance costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from services cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

For the year ended 31 December 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As at 31 December 2017, the carrying amount of deferred taxation on investment properties is RMB1,403,903,000 (2016: RMB1,112,839,000).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of RMB23,777,966,000 (2016: RMB15,347,979,000). Cost, including the cost of land, development expenditures, borrowing costs capitalised in accordance with the Group's accounting policy and other attributable expenses, are allocated to each unit in each phase based on saleable gross floor area, using the weighted average method. The net realisable value is the estimated selling price (based on prevailing real estate market conditions in the PRC) less estimated selling expenses and estimated cost to completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be written down on the properties under development for sale and completed properties for sale.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise. As at 31 December 2017, the carrying amount of trade receivable was RMB2,081,969,000 (2016: RMB1,720,333,000), net of allowance for bad and doubtful debts of RMB188,952,000 (2016: RMB132,372,000).

Fair value measurements and valuation processes

The investment properties of the Group amounting to RMB10,194,164,000 (2016: RMB6,981,839,000) are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an investment property, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the valuation team's findings to the board of directors of the Company periodically to explain the cause of fluctuations in the fair value of the investment properties. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of investment properties. Note 14 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated which is the higher of the value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by the management of the Group and a suitable discount rate in order to calculate the present value. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates, discount rate and cash inflows/outflows including revenue, gross profit and operating expenses estimated. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of expected future cash inflows due to unfavourableness, a material impairment loss may arise. As at 31 December 2017, the carrying amount of goodwill was approximately RMB2,299,758,000 (2016: RMB912,750,000) net of accumulated impairment loss of RMB81,574,000 (2016: RMB31,516,000).

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount which is the higher of fair value less costs of disposal and value in use of the cash-generating units to which intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of intangible assets net of accumulated impairment loss was RMB1,319,901,000 (2016: RMB259,248,000).

For the year ended 31 December 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their LAT calculations and payments with any local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the LAT based on the management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with the local tax authorities.

As explained in above, the carrying amounts of investment properties are presumed to be recovered entirely through sale, as such deferred tax charge on the fair value change of investment properties has taken into account the LAT payable upon the disposal of these properties.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit or taxable temporary difference will be available against which the tax losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits or taxable temporary difference together with future tax planning strategies. As at 31 December 2017, the carrying amount of deferred tax assets recognised for unused tax losses was RMB151,538,000 (2016: RMB149,639,000).

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties for sale and charged to the consolidated statement of profit or loss and other comprehensive income upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sales of the properties, these costs are accrued by the Group based on the management's best estimate. During the development stage, the Group typically divides the development projects into phases. Costs that are common to different phases are allocated to individual phase based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

For the year ended 31 December 2017

5. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year is as follows:

	2017 RMB'000	2016 RMB'000
Sales of properties	6,598,470	8,365,954
Rental income	243,187	241,778
Property agency services	57,967	26,770
Property operation services	2,015,378	1,652,123
Hotel operations	134,033	113,867
Others	733,533	520,146
	9,782,568	10,920,638

The segment information reported externally was analysed on the basis of the different products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision makers, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by different type of products sold and services rendered.

The Group has six reportable and operating segments as follows:

Property development	–	developing and selling of commercial and residential properties in the PRC
Property investment	–	leasing of commercial and residential properties
Property agency services	–	provision of property agency and other related services
Property operation services	–	provision of property management, installation services and other related services
Hotel operations	–	provision of hotel accommodation, hotel management and related services, food and beverage sale and other ancillary services
Others	–	provision of travel agency services and manufacturing and sale of fuel pumps

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each segment without allocation of interest income, net exchange gain (loss), change in fair value of financial assets at FVTPL, share-based payment expenses, finance costs, share of results of associates and joint ventures, gain on disposal of subsidiaries and gain on remeasurement of interests in joint ventures and available-for-sale investment, loss on early redemption of senior notes, central administration costs and directors' salaries. This is a measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

For the year ended 31 December 2017

5. REVENUE AND SEGMENT INFORMATION (continued)

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, available-for-sale investments, amounts due from non-controlling shareholders of the subsidiaries of the Company, associates, joint ventures and related parties, financial assets at FVTPL, restricted/pledged bank deposits, bank balances and cash and other corporate assets.

The following is an analysis of the Group's revenue, results and other material items by operating and reportable segment under review:

For 31 December 2017

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
External revenues	6,598,470	243,187	57,967	2,015,378	134,033	733,533	9,782,568
Inter-segment revenues	15,970	–	–	84,327	–	–	100,297
Segment results	877,444	1,088,765	23,036	504,902	(5,802)	(171,252)	2,317,093
Segment assets	27,731,514	10,354,247	16,391	6,351,341	1,089,959	2,483,425	48,026,877
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets (note)	473,440	2,542,869	30	2,764,961	9,782	163,178	5,954,260
Change in fair value of investment properties	–	966,184	–	–	–	–	966,184
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	118,589	–	–	–	–	–	118,589
Release of prepaid lease payments	18,200	–	–	–	1,018	–	19,218
Release of premium on prepaid lease payments	23,990	–	–	–	–	–	23,990
Impairment of goodwill	–	–	–	–	–	50,058	50,058
Amortisation of intangible assets	–	–	–	28,703	–	3,496	32,199
Depreciation of property, plant and equipment	49,939	1,178	1,960	42,112	35,084	41,903	172,176
Loss on disposal of property, plant and equipment	–	–	–	3,146	–	–	3,146
Allowance for bad and doubtful debts	11,840	–	–	50,172	–	–	62,012

5. REVENUE AND SEGMENT INFORMATION (continued)

For 31 December 2016

	Property development RMB'000	Property investment RMB'000	Property agency services RMB'000	Property operation services RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
External revenues	8,365,954	241,778	26,770	1,652,123	113,867	520,146	10,920,638
Inter-segment revenues	17,833	–	–	115,969	–	–	133,802
Segment results	2,657,688	582,346	10,637	405,096	(5,112)	(44,781)	3,605,874
Segment assets	22,327,069	7,217,642	10,859	2,911,791	1,078,297	2,128,935	35,674,593
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets (note)	1,201,428	300,730	113	307,133	19,158	1,643,796	3,472,358
Change in fair value of investment properties	–	405,076	–	–	–	–	405,076
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	478,005	–	–	–	–	–	478,005
Release of prepaid lease payments	12,514	–	–	–	1,973	–	14,487
Release of premium on prepaid lease payments	17,874	–	–	–	–	–	17,874
Amortisation of intangible assets	–	–	–	23,107	–	3,497	26,604
Depreciation of property, plant and equipment	49,216	1,128	1,941	41,935	35,454	39,839	169,513
Loss on disposal of property, plant and equipment	–	–	–	4,364	–	–	4,364
Allowance for bad and doubtful debts	11,771	–	–	29,000	–	–	40,771

Inter-segment revenues are charged at prevailing market rate.

Note: Additions to non-current assets exclude interests in associates and joint ventures, available-for-sale investments, deposits paid for acquisitions of land use rights, subsidiaries and a property project, other receivables (non-current) and deferred tax assets.

For the year ended 31 December 2017

5. REVENUE AND SEGMENT INFORMATION (continued)

Reconciliation:

	2017 RMB'000	2016 RMB'000
Revenue:		
Total revenue for operating and reportable segments	9,882,865	11,054,440
Elimination of inter-segment revenues	(100,297)	(133,802)
Group's total revenue	9,782,568	10,920,638
Total segment results	2,317,093	3,605,874
Elimination of inter-segment results	(13,470)	(32,020)
Unallocated amounts:		
Interest income	88,631	33,260
Net exchange gain (loss)	598,535	(665,820)
Change in fair value of financial assets at FVTPL	4,457	2,828
Share-based payment expenses	(47,216)	(81,955)
Finance costs	(1,279,587)	(932,238)
Share of results of associates	8,843	(2,528)
Share of results of joint ventures	167,670	48,504
Gain on disposal of subsidiaries	326,285	640,080
Gain on remeasurement of interests in joint ventures and available-for-sale investment	562,719	–
Loss on early redemption of senior notes	(116,933)	(29,688)
Other unallocated expenses	(50,109)	(80,133)
Profit before tax	2,566,918	2,506,164

	2017 RMB'000	2016 RMB'000
Assets:		
Total assets for operating and reportable segments	48,026,877	35,674,593
Unallocated assets:		
Interests in associates	1,174,908	735,336
Interests in joint ventures	1,060,057	951,667
Available-for-sale investments	117,663	30,215
Amounts due from non-controlling shareholders of the subsidiaries of the Company	1,052,812	82,330
Amounts due from associates	27,567	–
Amounts due from joint ventures	362,935	355,775
Amounts due from related parties	–	233,726
Financial assets at FVTPL	234,460	127,275
Restricted/pledged bank deposits	2,106,552	1,997,824
Bank balances and cash	14,335,075	9,136,526
Other unallocated corporate assets	457,834	426,996
Group's total assets	68,956,740	49,752,263

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC, Singapore and the United States of America (the "USA").

For the year ended 31 December 2017

5. REVENUE AND SEGMENT INFORMATION (continued)

Reconciliation: (continued)

During the years ended 31 December 2017 and 2016, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

As the Group's segment liabilities are not regularly reviewed by the chief operating decision makers, the liabilities for each operating segment is therefore not presented.

	2017 **RMB'000**	**2016** **RMB'000**
Additions to non-current assets		
Reportable segment total	5,954,260	3,472,358
Unallocated amount	4,979	7,690
Group's total	5,959,239	3,480,048
Other material items:		
Depreciation of property, plant and equipment		
Reportable segment total	172,176	169,513
Unallocated amount	4,730	4,589
Group's total	176,906	174,102

6. OTHER INCOME, GAINS AND LOSSES

	2017 **RMB'000**	**2016** **RMB'000**
Interest income	88,631	33,260
Investment income from land development (note 27(e))	–	5,787
Change in fair value of financial assets at FVTPL	4,457	2,828
Unconditional government grants	11,341	10,978
Gain on remeasurement of interests in joint ventures and available-for-sale investment (note 46 (b))	562,719	–
Net exchange gain (losses)	598,535	(665,820)
Loss on early redemption of senior notes	(116,933)	(29,688)
Loss on settlement of defined benefit obligation (note 43)	(107,014)	–
Impairment of goodwill (note 18)	(50,058)	–
Others	17,371	57,483
	1,009,049	(585,172)

For the year ended 31 December 2017

7. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on:		
– bank and other borrowings	602,953	408,162
– senior notes and bonds	1,649,157	1,364,974
– finance leases	4,815	5,740
– amount due to a non-controlling shareholder of the Company	–	17,996
– assets backed securities issued	19,332	6,863
Other finance costs	21,036	31,834
	2,297,293	1,835,569
Less: Amount capitalised in properties under development for sale	(995,433)	(896,985)
Amount capitalised in investment properties under construction	(20,523)	(6,346)
Amount capitalised in construction in progress	(1,750)	–
	1,279,587	932,238

During the year ended 31 December 2017, certain amounts of finance costs capitalised arose from the general borrowing pool and were calculated by applying the capitalisation rate of 9.1% per annum (2016: 9.6% per annum) to expenditures on qualifying assets.

For the year ended 31 December 2017

8. PROFIT BEFORE TAX

	2017 RMB'000	2016 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	17,691	16,962
Other staff's salaries and allowances	926,644	913,293
Defined benefit scheme costs	3,818	3,736
Retirement benefit scheme contributions	148,702	130,091
Share-based payments	47,216	81,955
Total staff costs	1,144,071	1,146,037
Less: Amount capitalised in properties under development for sale	(230,522)	(194,356)
	913,549	951,681
Auditor's remuneration	5,200	4,700
Release of prepaid lease payments	19,218	14,487
Release of premium on prepaid lease payments	23,990	17,874
Depreciation of property, plant and equipment	176,906	174,102
Amortisation of intangible assets	32,199	26,604
Loss on disposal of property, plant and equipment	3,146	4,364
Allowance for bad and doubtful debts, net	62,012	40,771
Cost of properties sold recognised as an expense	4,685,371	5,951,592
Gross rental income from investment properties	(243,187)	(241,778)
Less: Direct operating expenses from investment properties that generated rental income	15,209	15,121
	(227,978)	(226,657)
Rental expenses in respect of rented premises under operating leases	50,675	47,222

9. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current tax in the PRC		
PRC enterprise income tax ("EIT")	350,960	848,061
LAT	557,584	694,351
	908,544	1,542,412
Deferred tax (note 25)		
Charge (credit) to profit and loss	248,663	(100,596)
	1,157,207	1,441,816

For the year ended 31 December 2017

9. INCOME TAX EXPENSE (continued)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The Group's EIT is calculated based on the applicable tax rate on assessable profits, if applicable.

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 cost of land use rights and all property development expenditures.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	NOTES	**2017** **RMB'000**	**2016** **RMB'000**
Profit before tax		2,566,918	2,506,164
Tax at PRC EIT rate of 25% (2016: 25%)	(a)	641,730	626,541
Tax effect of share of results of associates		(2,211)	632
Tax effect of share of results of joint ventures		(41,918)	(12,126)
Tax effect of income not taxable for tax purpose		(302,568)	(5,864)
Tax effect of expenses not deductible for tax purpose	(b)	292,328	250,017
Tax effect of tax losses not recognised		190,431	224,246
Utilisation of tax losses previously not recognised		(17,068)	(146,821)
LAT		557,584	694,351
Tax effect of LAT		(139,396)	(173,588)
Tax effect of tax rate differential of certain subsidiaries with preferential tax rate		(22,921)	(17,509)
Others		1,216	1,937
Income tax expense for the year		1,157,207	1,441,816

Notes:

(a) Majority of the assessable profits of the Group were derived from subsidiaries situated in the PRC and the applicable EIT rate of those subsidiaries is 25%.

(b) The amounts for the years ended 31 December 2017 and 2016 mainly represented the tax effect of expenses incurred by offshore companies, including the interest on senior notes, share-based payment expenses, exchange loss, loss on early redemption of senior notes, impairment of goodwill and professional fees.

For the year ended 31 December 2017

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATIONS

The emoluments paid or payable to the directors and the chief executive disclosed pursuant to the applicable Listing Rules and CO were as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2017						
Executive directors:						
Mr. Pan Jun (潘軍) (note i)	–	4,720	514	75	–	5,309
Ms. Zeng Jie, Baby (曾寶寶)	–	4,720	514	75	–	5,309
Mr. Lam Kam Tong (林錦堂)	–	2,622	795	–	–	3,417
Mr. Zhou Jinquan (周錦泉) (note ii)	–	–	–	–	–	–
Mr. Deng Bo (鄧波) (note iii)	–	1,711	190	75	–	1,976
Non-executive directors:						
Mr. Li Dongsheng (李東生)	240	–	–	–	–	240
Mr. Yuan Haodong (袁浩東) (note ii)	60	–	–	–	–	60
Mr. Liao Jian (廖騫) (note iii)	180	–	–	–	–	180
Independent non-executive directors:						
Mr. He Min (何敏)	240	–	–	–	–	240
Mr. Huang Ming (黃明)	240	–	–	–	–	240
Mr. Liao Jianwen (廖建文)	240	–	–	–	–	240
Ms. Wong Pui Sze (王沛詩)	240	–	–	–	–	240
Mr. Guo Shaomu (郭少牧)	240	–	–	–	–	240
	1,680	13,773	2,013	225	–	17,691
For the year ended 31 December 2016						
Executive directors:						
Mr. Pan Jun (潘軍) (note i)	–	4,447	257	74	–	4,778
Ms. Zeng Jie, Baby (曾寶寶)	–	4,447	257	74	–	4,778
Mr. Lam Kam Tong (林錦堂)	–	2,644	332	–	–	2,976
Mr. Zhou Jinquan (周錦泉)	–	2,319	363	68	–	2,750
Non-executive directors:						
Mr. Li Dongsheng (李東生)	240	–	–	–	–	240
Mr. Yuan Haodong (袁浩東)	240	–	–	–	–	240
Independent non-executive directors:						
Mr. He Min (何敏)	240	–	–	–	–	240
Mr. Huang Ming (黃明)	240	–	–	–	–	240
Mr. Liao Jianwen (廖建文)	240	–	–	–	–	240
Ms. Wong Pui Sze (王沛詩)	240	–	–	–	–	240
Mr. Guo Shaomu (郭少牧)	240	–	–	–	–	240
	1,680	13,857	1,209	216	–	16,962

For the year ended 31 December 2017

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATIONS (continued)

Notes:

(i) Mr. Pan Jun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(ii) Mr. Zhou Jinquan and Mr. Yuan Haodong were resigned on 17 January 2017 and 31 March 2017 respectively.

(iii) Mr. Deng Bo and Mr. Liao Jian were appointed on 17 January 2017 and 31 March 2017 respectively.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were paid for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The discretionary bonus is determined by the Board of Directors based on the Group's performance for each financial year.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Five highest paid employees

The five individuals with the highest emoluments in the Group included 3 (2016: 4) directors for the year ended 31 December 2017. Details of their emoluments are set out above. The emoluments of the remaining 2 (2016: 1) of the five highest paid individuals is as follows:

	2017 **RMB'000**	**2016** **RMB'000**
Salaries and allowances	5,726	3,547
Discretionary bonus	1,629	348
Retirement benefit scheme contributions	151	74
	7,506	3,969

Their emoluments were within the following band:

	2017 **No. of employees**	**2016** **No. of employees**
HKD4,000,001 to HKD4,500,000	2	1

During the years ended 31 December 2017 and 2016, no remuneration was paid by the Group to any of the directors, chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and chief executive waived any remuneration for both the years ended 31 December 2017 and 2016.

For the year ended 31 December 2017

11. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Dividends recognised as distribution during the year: 2016 final dividend HK5.00 cents (2016: 2015 final dividend HK5.00 cents) per share	250,049	255,793

Subsequent to the end of the reporting period, a final dividend in respect of year ended 31 December 2017 of HK7.00 cents, equivalent to RMB5.65 cents (2016: final dividend in respect of year ended 31 December 2016 of HK5.00 cents, equivalent to RMB4.47 cents) per share amounting to approximately RMB325,624,000 has been proposed by the directors for approval by the shareholders in the annual general meeting.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2017 RMB'000	2016 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	1,154,316	805,736
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,761,971,836	5,761,656,613
Effect of dilutive potential ordinary shares:		
Share options	22,696,062	15,015,200
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,784,667,898	5,776,671,813

Those share options granted by Colour Life, a non-wholly owned subsidiary of the Company, and Morning Star Group Limited ("Morning Star"), a wholly owned subsidiary of the Company, have no impact on the computation of diluted earnings per share for both the years ended 31 December 2017 and 2016, where the exercise price of the share options was higher than the average market price of the Colour Life's share and the impact of Morning Star's share options is anti-dilutive.

For the year ended 31 December 2017

13. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2016	1,002,586	237,164	167,637	214,451	291,218	171,775	2,084,831
Transfer upon completion	19,154	–	–	25,921	–	(45,075)	–
Additions	–	15,792	19,648	47,559	5,154	125,726	213,879
Acquisition of subsidiaries (note 46)	–	244,224	62	8,312	1,336	31,851	285,785
Disposal of subsidiaries (note 47 (a) and (c))	–	–	(2,032)	(3,280)	(1,252)	–	(6,564)
Disposals	–	(32,012)	(8,589)	(6,324)	(2,317)	–	(49,242)
At 31 December 2016	1,021,740	465,168	176,726	286,639	294,139	284,277	2,528,689
Transfer upon completion	40,006	19,818	–	61,433	–	(121,257)	–
Additions	–	21,157	37,564	6,272	315,107	346,349	726,449
Acquisition of subsidiaries (note 46)	–	–	581	67,925	5,584	–	74,090
Disposal of subsidiaries (note 47 (a) and (c))	–	(49,606)	(9,057)	(26,005)	(13,151)	(28,440)	(126,259)
Disposals	–	(10,669)	(1,141)	(9,539)	(2,982)	–	(24,331)
At 31 December 2017	1,061,746	445,868	204,673	386,725	598,697	480,929	3,178,638
DEPRECIATION							
At 1 January 2016	56,691	80,303	44,044	67,069	69,855	–	317,962
Provided for the year	27,902	51,762	37,303	46,162	10,973	–	174,102
Eliminated on disposal of subsidiaries (note 47 (a) and (c))	–	–	(1,575)	(1,968)	(897)	–	(4,440)
Eliminated on disposals	–	(27,458)	(5,221)	(2,805)	(1,723)	–	(37,207)
At 31 December 2016	84,593	104,607	74,551	108,458	78,208	–	450,417
Provided for the year	34,876	53,629	38,606	32,906	16,889	–	176,906
Eliminated on disposal of subsidiaries (note 47 (a) and (c))	–	(32,905)	(1,041)	(8,082)	(2,870)	–	(44,898)
Eliminated on disposals	–	(3,098)	(99)	(9,500)	(2,174)	–	(14,871)
At 31 December 2017	119,469	122,233	112,017	123,782	90,053	–	567,554
CARRYING AMOUNTS							
At 31 December 2017	942,277	323,635	92,656	262,943	508,644	480,929	2,611,084
At 31 December 2016	937,147	360,561	102,175	178,181	215,931	284,277	2,078,272

For the year ended 31 December 2017

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The following useful lives are used in the calculation of depreciation:

Hotel buildings	Over the shorter of the term of lease or 20 years
Buildings	Over the shorter of the term of lease or 50 years
Renovations and leasehold improvements	5 to 10 years
Furniture, fixtures and equipment	5 years
Transportation equipment	5 to 15 years

The buildings are all situated on land in the PRC and the USA.

As at 31 December 2017, certain of the Group's buildings and hotel buildings with carrying amounts of RMB295,167,000 (2016: RMB303,848,000) were pledged to banks to secure the banking facilities granted to the Group.

As at 31 December 2017, transportation equipment amounting to RMB490,021,000 (2016: RMB174,544,000) are held under finance leases.

14. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	**Investment properties under construction RMB'000**	**Total RMB'000**
At 1 January 2016	4,723,049	2,161,882	6,884,931
Additions	–	300,575	300,575
Transfer from completed properties for sale (note 26)	1,147,377	–	1,147,377
Net change in fair value recognised in profit or loss	185,049	220,027	405,076
Transfer upon completion of construction work	1,017,208	(1,017,208)	–
Disposal of subsidiaries (note 47(a) and (c))	(704,431)	–	(704,431)
Disposals	(1,051,689)	–	(1,051,689)
At 31 December 2016	5,316,563	1,665,276	6,981,839
Additions	920,707	821,084	1,741,791
Transfer from completed properties for sale (note 26)	413,567	–	413,567
Transfer from prepaid lease payment	–	76,477	76,477
Transfer from premium on prepaid lease payment	–	84,355	84,355
Acquisition of subsidiaries (note 46(a))	–	800,992	800,992
Net change in fair value recognised in profit or loss	591,054	375,130	966,184
Transfer upon completion of construction work	2,333,489	(2,333,489)	–
Disposal of subsidiaries (note 47(a))	(3,593)	–	(3,593)
Disposals	(867,448)	–	(867,448)
At 31 December 2017	8,704,339	1,489,825	10,194,164
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2016 (note)	467,157	220,027	687,184
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2017 (note)	570,240	375,130	945,370

For the year ended 31 December 2017

14. INVESTMENT PROPERTIES (continued)

Note: Unrealised gain on property revaluation included change in fair value of investment properties and change in fair value of completed properties for sale upon transfer to investment which have been presented on the face of the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2017, the fair value of the Group's completed investment properties of RMB8,704,339,000 (2016: RMB5,316,563,000) and investment properties under construction of RMB1,489,825,000 (2016: RMB1,665,276,000) were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuers which are not connected with the Group, which has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of completed investment properties as at 31 December 2017 and 2016 are determined by income capitalisation method and direct comparison method. Income capitalisation method is arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuations of investment properties under construction as at 31 December 2017 and 2016 are arrived at by residual method and direct comparison method, which is based on market observable transactions of similar properties and taken into account the construction costs that will be expended to complete the development. Direct comparison approach is arrived at by reference to comparable market transactions and presuppose that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors. In estimating the fair value of the properties, highest and best use of the properties is their current use.

As at 31 December 2017, investment properties with fair value of RMB551,978,000 (2016: RMB512,111,000) represented completed car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied according to the relevant laws and regulations in the PRC.

As at 31 December 2017, certain of the Group's investment properties with an aggregate fair value of RMB2,150,253,000 (2016: RMB1,588,802,000) were pledged to banks to secure the banking facilities granted to the Group.

All of the Group's property interests held under operating leases to earn rentals are classified and accounted for as investment properties and are measured using the fair value model.

The following table gives information about how the fair values of these investment properties as at 31 December 2017 and 2016 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

For the year ended 31 December 2017

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group	Fair value as at 31 December 2017 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant observable/ unobservable inputs	Range	Sensitivity
Completed investment properties	7,989,358	Shenzhen, Tianjin, Chengdu, Nanjing, Dongguan, Guilin, Wuhan, Suzhou, Shanghai, Huizhou	Level 3	Income capitalisation method- income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield	3% – 6%	A slight increase in term yield would not result in significant decrease in fair value, and vice versa.
					2. Reversionary yield	2.3% – 6.5%	A slight increase in reversionary yield would not result in significant decrease in fair value, and vice versa.
					3. Vacancy ratio	0% – 20%	A slight increase in vacancy ratio would not result in not significant decrease in fair value, and vice versa.
Completed investment properties	714,981	Shenzhen, Huizhou, Wuhan, Dongguan, Tianjin, Shanghai	Level 2	Direct comparison method-based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	Adjustment made to account for differences in location	3% – 10%	N/A
Investment properties under construction	721,324	Nanjing, Jiangsu	Level 3	Residual method-based on gross development value and taken into account the construction costs to completion, developer's profit, marketing costs.	1. Gross development value (RMB'000) on completion basis	80,435 – 838,416	A significant increase/ decrease in gross development value would result in significant increase/decrease in fair value.
					2. Developer's profit	13% – 15%	A significant increase in developer's profit would result in significant decrease in fair value, and vice versa.
					3. Marketing costs	3%	A slight increase in marketing costs would not result in significant decrease in fair value, and vice versa.
					4. Construction costs to completion (RMB'000)	11,637 – 94,618	A significant increase in construction costs to completion would result in significant decrease in fair value, and vice versa.
Investment properties under construction	768,501	Chengdu	Level 2	Direct comparison method-based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	Market unit sales rate (RMB/sqm)	894 – 3,282	A significant increase/ decrease in market unit sales rate would result in significant increase/ decrease in fair value.
	10,194,164						

For the year ended 31 December 2017

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group	Fair value as at 31 December 2016 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant observable/ unobservable inputs	Range	Sensitivity
Completed investment properties	4,756,719	Shenzhen, Tianjin, Chengdu, Nanjing, Tokyo, Dongguan, Guilin, Wuhan	Level 3	Income capitalisation method-income capitalisation of the net income and made provisions for reversionary income potential.	1. Term yield	2% – 6%	A slight increase in term yield would not result in significant decrease in fair value, and vice versa.
					2. Reversionary yield	2.3% – 6.5%	A slight increase in reversionary yield would not result in significant decrease in fair value, and vice versa.
					3. Vacancy ratio	0% – 20%	A slight increase in vacancy ratio would not result in significant decrease in fair value, and vice versa.
Completed investment properties	559,844	Shenzhen, Huizhou, Wuhan, Dongguan, Tianjin	Level 2	Direct comparison method-based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	Adjustment made to account for differences in location	3% – 10%	N/A
Investment properties under construction	1,457,965	Nanjing, Suzhou, Chengdu	Level 3	Residual method-based on gross development value and taken into account the construction costs to completion, developer's profit, marketing costs.	1. Gross development value (RMB'000) on completion basis	5,800 – 151,400	A significant increase/ decrease in gross development value would result in significant increase/decrease in fair value.
					2. Developer's profit	20%	A significant increase in developer's profit would result in significant decrease in fair value, and vice versa.
					3. Marketing costs	3%	A slight increase in marketing costs would not result in significant decrease in fair value, and vice versa.
					4. Construction costs to completion (RMB'000)	13,266 – 26,163	A significant increase in construction costs to completion would result in significant decrease in fair value, and vice versa.
Investment properties under construction	207,311	Huizhou, Chengdu	Level 2	Direct comparison method-based on market observable transactions of similar lands and adjusted to reflect the conditions of the subject lands.	Market unit sales rate (RMB/sqm)	850 – 1,450	A significant increase/ decrease in market unit sales rate would result in significant increase/decrease in fair value.
	6,981,839						

For the year ended 31 December 2017

14. INVESTMENT PROPERTIES (continued)

During the year ended 31 December 2017, there were investment properties amounting to RMB85,687,000 (2016: RMB50,739,000) transferred out of Level 3 to Level 2 upon completion of construction work, and the fair value of the investment properties is determined by direct comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.

During the year ended 31 December 2017, there were investment properties amounting to RMB207,311,000 (2016: nil) transferred out of Level 2 to Level 3 upon commencement of construction work based on gross development value and taken into account the construction costs to completion and other inputs.

15. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Cost of investments, unlisted	1,167,204	736,475
Share of post-acquisition results, net of dividends received	7,704	(1,139)
	1,174,908	735,336

Details of the Group's principal associates at the end of the reporting period are as follow:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held by the Group		Principal activities
			2017	2016	2017	2016	
Wuhu Xinjia Investment Center (Limited Partnership) ("Wuhu Xinjia") 蕪湖信嘉投資中心 (有限合夥) (note a)	The PRC	The PRC	46%	46%	33%	33%	Investment management in the PRC
Suzhou Linjiayan Property Development Co., Ltd. ("Suzhou Linjiayan") 蘇州林甲岩房產發展有限公司 (note b)	The PRC	The PRC	43%	5%	43%	5%	Property development in the PRC

Notes:

(a) The Group is a limited partner of Wuhu Xinjia. Pursuant to the partnership agreement, the Group has the right to cast one out of three votes of Wuhu Xinjia at the investment committee's meeting, the governing body which directs the relevant activities that significantly affect the returns of Wuhu Xinjia. The approval of relevant activities require two thirds of the total votes. Therefore, Wuhu Xinjia is accounted for as an associate of the Group.

(b) During the year ended 31 December 2017, the Group made additional capital contribution of RMB319,400,000 to Suzhou Linjiayan, which was accounted for as an available-for-sale investment previously. Upon completion of the capital injection, the Group's shareholding in Suzhou Linjiayan increased from 5% to 43%. Pursuant to the amended shareholder's agreement, the Group has the right to cast 43% of the votes of Suzhou Linjiayan at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Suzhou Linjiayan. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, Suzhou Linjiayan is accounted for as an associate of the Group.

For the year ended 31 December 2017

15. INTERESTS IN ASSOCIATES (continued)

Summarised financial information in respect of the Group's principal associates are set out below. The summarised financial information below represented amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

The associates are accounted for using equity method in these consolidated financial statements.

Wuhu Xinjia

	2017 RMB'000	2016 RMB'000
Current assets	1,050,732	1,051,557
Non-current assets	624,355	627,704
Current liabilities	1,904	6,962
Profit (loss) and other comprehensive income (expense) for the year	884	(5,096)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Wuhu Xinjia recognised in the consolidated financial statements:

	2017 RMB'000	2016 RMB'000
Net assets of Wuhu Xinjia	1,673,183	1,672,299
Proportion of the Group's ownership interest in Wuhu Xinjia	46%	46%
	769,664	769,258
Less: Non-controlling interests of Wuhu Xinjia's subsidiary	(2,498)	(2,489)
	767,166	766,769
Less: Unrealised gain on disposal of Beijing Huawanli (note 47(c))	(109,320)	(109,320)
Carrying amount of the Group's interest in Wuhu Xinjia	657,846	657,449

For the year ended 31 December 2017

15. INTERESTS IN ASSOCIATES (continued)

Suzhou Linjiayan

	2017 RMB'000	2016 RMB'000
Current assets	666,583	N/A
Non-current assets	583,389	N/A
Current liabilities	395,734	N/A
Profit and other comprehensive income for the period from the date of capital injection to 31 December 2017	8,334	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interest in Suzhou Linjiayan recognised in the consolidated financial statements:

	2017 RMB'000	2016 RMB'000
Net assets of Suzhou Linjiayan	854,238	N/A
Proportion of the Group's ownership interest in Suzhou Linjiayan	43%	N/A
Carrying amount of the Group's interest in Suzhou Linjiayan	367,322	N/A

Aggregate information of associates that are not individually material:

	2017 RMB'000	2016 RMB'000
The Group's share of profit (loss) and other comprehensive income (expense)	4,852	(184)
Aggregate carrying amount of the Group's interests in these associates	149,740	77,887

For the year ended 31 December 2017

16. INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Cost of investments, unlisted	1,051,203	922,935
Share of post-acquisition results, net of dividends received	8,854	28,732
	1,060,057	951,667

Details of the Group's principal joint ventures at the end of the reporting period are as follow:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group 2017	Equity interest attributable to the Group 2016	Proportion of voting power held by the Group 2017	Proportion of voting power held by the Group 2016	Principal activities
Nanjing Zhongchu Property Development Co., Ltd. ("Nanjing Zhongchu") 南京中儲房地產開發有限公司	The PRC	The PRC	70% (note a)	60%	70%	60%	Property development in the PRC
Shenzhen Xingfu Wanxiang Investment partnership (Limited Partnership) ("Shenzhen Wanxiang") 深圳市幸福萬象投資合夥企業(有限合夥)	The PRC	The PRC	100% (note b)	50%	100%	50%	Investment management in the PRC
Chuangshi Jianian Fund ("Chuangshi Jianian") 創世嘉年基金(note (c))	The PRC	The PRC	38.8%	38.8%	33.3%	33.3%	Investment management in the PRC
Fantasia Anchor Investment II LLC (note (d))	The USA	The USA	99.9%	–	50%	–	Property development in the USA
Fantasia Anchor Investment III LLC (note (d))	The USA	The USA	71.9%	–	33.3%	–	Property development in the USA

Notes:

(a) During the year ended 31 December 2017, the Group acquired additional 10% equity interest in Nanjing Zhongchu from the other shareholder. Pursuant to the amendment to the shareholder's agreement, the board of directors of Nanjing Zhongchu, the governing body which directs the relevant activities that significantly affects the returns of Nanjing Zhongchu, consists of five directors of which the Group and the other shareholder can appoint three directors and two directors, respectively. The approval of the relevant activities requires a simple majority of directors' votes. Therefore, the Group exercised control over Nanjing Zhongchu and Nanjing Zhongchu is accounted for as a subsidiary of the Group. Details are set out in note 46(a).

For the year ended 31 December 2017

16. INTERESTS IN JOINT VENTURES (continued)

Notes: (continued)

(b) Shenzhen Wanxiang was incorporated and acquired 99% equity interest in Wanxiangmei Property Management Co., Ltd. (萬象美物業管理有限公司) ("Wanxiangmei") (previous name is Wanda Property Management Co., Ltd. 萬達物業管理有限公司) in 2016. Wanxiangmei is principally engaged in provision of property management services in the PRC. The remaining 1% equity interest in Wanxiangmei was held by the Group. On 29 December 2017, the Group acquired the 100% equity interest in Shenzhen Jiaxin Consultancy Service Co., Ltd. (深圳市嘉信咨詢服務有限公司) ("Shenzhen Jiaxin"), a limited partner of Shenzhen Wanxiang, from Chuangshi Jianian, a joint venture of the Group, at a consideration of RMB992,520,000. On the same day, the Group entered into a supplemental partnership agreement with other partners regarding the revision of the terms of the cooperation. Pursuant to the supplemental agreement, the investment committee of Shenzhen Wanxiang, the governing body which directs the relevant activities that significantly affects the investment decision and returns of Shenzhen Wanxiang, consists of five members of which the Group and the other partners can appoint three members and two members, respectively, and the return on capital injected by the other limited partner were changed from 4.379% per annum to 8.630% per annum. The approval of the relevant activities requires unanimous consent of members, however, the other partners committed that the two members appointed by them would not vote against the three members appointed by the Group, unless Shenzhen Wanxiang default in settlement of the fixed return and/or return of capital to the other partners in accordance with the repayment schedule. Therefore, the Group obtained 100% beneficial interest in Shenzhen Wanxiang and 100% equity interest in Wanxiangmei. Details are set out in note 46(b).

(c) Chuangshi Jianian was formed and acquired the 100% equity interest in Shenzhen Jiaxin in 2016. Upon the disposal of Shenzhen Jiaxin to the Group, as described in note (b) above, the Group and the other investors of Chuangshi Jianian agreed to withdraw the investment and deregister Chuangshi Jianian. At the date these consolidated financial statements are authorised for issuance, the deregistration of Chuangshi Jianian has not been completed.

(d) These companies are accounted for as joint ventures as at respective period end date as in accordance with the memorandum and articles of the companies, major financial and operating policies of these companies require the unanimous consent of all directors.

Summarised financial information in respect of the Group's principal joint venture are set out below. The summarised financial information below represented amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using equity method in these consolidated financial statements.

Chuangshi Jianian

	2017 RMB'000	2016 RMB'000
Current assets	1,056,882	–
Non-current assets	–	1,010,667
Current liabilities	–	12,005
Profit and other comprehensive income for the year	58,220	14,127

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chuangshi Jianian recognised in the consolidated financial statements:

	2017 RMB'000	2016 RMB'000
Net assets of Chuangshi Jianian	1,056,882	998,662
Proportion of the Group's ownership interest in Chuangshi Jianian	38.8%	38.8%
Carrying amount of the Group's interest in Chuangshi Jianian	410,070	387,481

For the year ended 31 December 2017

16. INTERESTS IN JOINT VENTURES (continued)

Aggregate information of joint ventures that are not individually material:

	2017 RMB'000	2016 RMB'000
The Group's share of profit and other comprehensive income	145,081	43,023
Aggregate carrying amount of the Group's interests in these joint ventures	649,987	564,186

17. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Unlisted equity investments, at cost	117,663	30,215

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

18. GOODWILL

	RMB'000
COST	
At 1 January 2016	765,065
Arising on acquisition of businesses (note 46(b))	179,201
At 31 December 2016	944,266
Arising on acquisition of businesses (note 46(b))	1,478,064
Disposal of subsidiaries (note 47(a) and (c))	(40,998)
At 31 December 2017	2,381,332
IMPAIRMENT	
At 1 January 2016 and 31 December 2016	31,516
Impairment loss recognised for the year	50,058
At 31 December 2017	81,574
CARRYING VALUES	
At 31 December 2017	2,299,758
At 31 December 2016	912,750

For the year ended 31 December 2017

18. GOODWILL (continued)

For the purpose of impairment testing, goodwill above has been allocated to two cash-generating units ("CGU"), comprising a group of subsidiaries in property operation services collectively as the property operation cash-generating units ("Property Operation CGU") and a group subsidiaries in travel agency services collectively as the travel agency cash-generating units ("Travel Agency CGU"). The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2017 and 2016 allocated to these cash-generating units are as follow:

	2017 **RMB'000**	**2016** **RMB'000**
Property Operation CGU	2,220,569	783,503
Travel Agency CGU	79,189	129,247
	2,299,758	912,750

During the year ended 31 December 2016, the management of the Group determined that there is no impairment of Property Operation CGU and Travel Agency CGU containing goodwill arising from the acquisition of businesses.

During the year ended 31 December 2017, in the opinion of the directors of the Company, the performance of Travel Agency CGU was declined due to the vigorous market competition. The carrying amount of the assets (including goodwill allocated to Travel Agency CGU) of the Travel Agency CGU is determined to be higher than the recoverable amount. Therefore, the Group recognised an impairment loss of RMB50,058,000 in relation to goodwill allocated to Travel Agency CGU.

The recoverable amounts of Property Operation CGU and Travel Agency CGU have been determined based on a value in use calculation. The calculation uses cash flow projection based on financial budgets approved by the management covering a 5-year period and at discount rates which ranges from 14% – 20% per annum as at 31 December 2016 and 2017. The cash flows beyond the 5-year period are extrapolated using zero growth rate.

Cash flow projections during the budget period for Property Operation CGU and Travel Agency CGU are based on the management's key estimation of cash inflows/outflows including revenue, gross profit, operating expenses and working capital requirements. The assumptions and estimation are based on the past performance and management's expectation of market development. The management of the Group believes that any reasonably possible change in the key estimation of the value-in-use calculation would not cause the carrying amount to exceed its recoverable amount.

For the year ended 31 December 2017

19. INTANGIBLE ASSETS

	Property management contracts and customer relationship RMB'000	Trademark RMB'000	Total RMB'000
COST			
At 1 January 2016	169,448	52,441	221,889
Arising on acquisition of subsidiaries (note 46(b))	81,378	–	81,378
At 31 December 2016	250,826	52,441	303,267
Arising on acquisition of subsidiaries (note 46(b))	1,092,852	–	1,092,852
At 31 December 2017	1,343,678	52,441	1,396,119
AMORTISATION			
At 1 January 2016	17,415	–	17,415
Provided for the year	23,107	3,497	26,604
At 31 December 2016	40,522	3,497	44,019
Provided for the year	28,702	3,497	32,199
At 31 December 2017	69,224	6,994	76,218
CARRYING AMOUNT			
At 31 December 2017	1,274,454	45,447	1,319,901
At 31 December 2016	210,304	48,944	259,248

The property management contracts, customer relationship and trade mark were acquired from third parties through the acquisition of subsidiaries.

The above intangible assets have finite useful lives and are amortised on a straight line basis over 60 months to 120 months.

For the year ended 31 December 2017

20. PREPAID LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Non-current assets	754,720	1,765,515
Current assets	18,228	48,151
	772,948	1,813,666

As at 31 December 2017, none of the Group's prepaid lease payments (2016: RMB11,448,000) was pledged to banks to secure the banking facilities granted to the Group.

During the year ended 31 December 2017, prepaid lease payments of RMB858,993,000 (2016: RMB149,950,000) was transferred to properties under development for sale and prepaid lease payments of RMB76,477,000 (2016:nil) was transferred to investment properties under construction upon commencement of the related construction work in certain property development projects.

21. PREMIUM ON PREPAID LEASE PAYMENTS

Premium on prepaid lease payments of the Group represent the excess of the fair value over the carrying amount of the prepaid lease payments and amounting to RMB1,288,225,000 (2016: RMB1,621,230,000) in respect of leasehold lands in the PRC under long-term lease acquired through acquisition of subsidiaries during the year and are amortised over the period of the remaining lease term on a straight-line basis.

	RMB'000
COST	
At 1 January 2016	204,376
Acquisitions of subsidiaries (note 46)	1,635,601
Disposal of subsidiaries (note 47(c))	(195,774)
At 31 December 2016	1,644,203
Transfer to properties under development for sale	(231,574)
Transfer to investment properties under construction (note 14)	(86,951)
At 31 December 2017	1,325,678
AMORTISATION	
At 1 January 2016	28,529
Amortised for the year	17,874
Disposal of subsidiaries (note 47(c))	(23,430)
At 31 December 2016	22,973
Amortised for the year	23,990
Eliminated on transfer to properties under development for sale	(6,914)
Eliminated on transfer to investment properties under construction (note 14)	(2,596)
At 31 December 2017	37,453
CARRYING AMOUNTS	
At 31 December 2017	1,288,225
At 31 December 2016	1,621,230

For the year ended 31 December 2017

21. PREMIUM ON PREPAID LEASE PAYMENTS (continued)

During the year ended 31 December 2017, premium on prepaid lease payments of RMB224,660,000 (2016: nil) was transferred to properties under development for sale and premium on prepaid lease payments of RMB84,355,000 (2016: nil) was transferred to investment properties under construction upon commencement of the related construction work in certain property development projects.

Analysed for reporting purposes as:

	2017 RMB'000	2016 RMB'000
Non-current assets	1,268,992	1,592,486
Current assets	19,233	28,744
	1,288,225	1,621,230

22. DEPOSITS PAID FOR POTENTIAL ACQUISITIONS OF SUBSIDIARIES

As at 31 December 2017, the Group had made deposits of RMB746,813,000 (2016: RMB124,593,000) in relation to the acquisitions of a number of companies which are principally engaged in property development in the PRC from independent third parties.

As at 31 December 2017, the Group had made deposits of RMB52,793,000 (2016: RMB142,537,000) in relation to the acquisitions of a number of companies which are principally engaged in property operation in the PRC from independent third parties. Pursuant to the sale and purchase agreements, in case the aforesaid acquisition is not completed, the deposit would be fully refunded to the Group by the vendors.

At the date these consolidated financial statements are authorised for issuance, the acquisition of these subsidiaries have not been completed.

23. DEPOSIT PAID FOR ACQUISITION OF A PROPERTY PROJECT

As at 31 December 2017, the Group had made deposit of RMB159,214,000 (2016: RMB159,073,000) in relation to the acquisition of a property project from an independent property developer.

The aforesaid deposit related to acquisition of a building for hotel operations and is therefore classified as non-current assets. At the date these consolidated financial statements are authorised for issuance, the acquisition of this project has not been completed.

24. DEPOSITS PAID FOR ACQUISITIONS OF LAND USE RIGHTS

As at 31 December 2017, the Group had made deposits of RMB118,103,000 (2016: RMB1,095,077,000) in relation to acquisitions of land use rights from independent third parties. At the date these consolidated financial statements are authorised for issuance, the acquisitions of land use rights have not been completed.

For the year ended 31 December 2017

25. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 RMB'000	2016 RMB'000
Deferred tax assets	(461,990)	(466,577)
Deferred tax liabilities	1,754,528	1,236,629
	1,292,538	770,052

	Fair value change of investment properties RMB'000	Revaluation of investment properties, and revaluation of assets under business combination RMB'000	Temporary difference on accruals RMB'000	Tax losses RMB'000	Intangible assets RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2016	1,149,931	29,974	(48,897)	(168,510)	46,660	(399,961)	609,197
Credit to other comprehensive income	–	–	–	–	–	(5,743)	(5,743)
Acquisition of subsidiaries (note 46(b))	–	232,879	–	–	20,345	–	253,224
Charge (credit) to profit and loss	22,408	–	(4,379)	18,871	(6,651)	(130,845)	(100,596)
Disposal of subsidiaries (note 47(a) and (c))	(59,500)	–	(4,208)	–	–	77,678	13,970
At 31 December 2016	1,112,839	262,853	(57,484)	(149,639)	60,354	(458,871)	770,052
Credit to other comprehensive income	–	–	–	–	–	(2,009)	(2,009)
Acquisition of subsidiaries (note 46(b))	–	–	(1,893)	–	273,056	–	271,163
Charge (credit) to profit and loss	291,610	(6,257)	(10,342)	(1,899)	(8,050)	(16,399)	248,663
Disposal of subsidiaries (note 47(a) and (c))	(546)	–	–	–	–	5,215	4,669
At 31 December 2017	1,403,903	256,596	(69,719)	(151,538)	325,360	(472,064)	1,292,538

Note: Others mainly represent the deductible temporary difference arising from LAT provision and remeasurement of defined benefit obligations.

For the year ended 31 December 2017

25. DEFERRED TAXATION (continued)

As at 31 December 2017, the Group had unutilised tax losses of RMB3,208,092,000 (2016: RMB3,299,418,000). A deferred tax asset has been recognised in respect of RMB606,152,000 (2016: RMB598,556,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB2,601,940,000 (2016: RMB2,700,862,000) due to the unpredictability of future profits streams.

As at 31 December 2017, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was RMB13,076,314,000 (2016: RMB10,412,486,000). No deferred tax liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

26. PROPERTIES FOR SALE

	2017 **RMB'000**	**2016** **RMB'000**
Completed properties for sale	4,709,787	5,585,600
Properties under development for sale	19,068,179	9,762,379
	23,777,966	15,347,979

As at 31 December 2017, certain of the Group's properties for sale with a carrying amount of RMB2,139,194,000 (2016: RMB783,361,000) were pledged to secure certain banking facilities granted to the Group.

During the year ended 31 December 2017, completed properties for sale with an aggregate carrying amount of RMB294,978,000 (2016: RMB669,372,000) were transferred to investment properties upon change in use as evidenced by signing of relevant tenancy agreements. The excess of the fair value of these properties at the date of transfer over their carrying amounts, amounting to RMB118,589,000 (2016: RMB478,005,000) were recognised in the consolidated statement of profit or loss and other comprehensive income.

Included in the amount are properties under development for sale of RMB11,334,150,000 (2016: RMB6,040,855,000) in relation to property development projects that are expected to complete after one year from the end of the reporting period.

For the year ended 31 December 2017

27. TRADE AND OTHER RECEIVABLES

	NOTES	2017 RMB'000	2016 RMB'000
Trade receivables	(a)	2,081,969	1,720,333
Other receivables	(b)	495,612	365,754
Loan receivables	(c)	88,302	338,708
Prepayments and other deposits		271,564	199,897
Prepayments to suppliers		228,826	212,178
Prepayments for construction work		596,232	1,209,992
Consideration receivables on disposal of subsidiaries		–	25,500
Consideration receivables on disposal of partial interests in subsidiaries resulting in loss of control		9,000	332,500
Amount due from Pixian Government	(d)	122,830	122,830
Amount due from Chengdu Government	(e)	–	5,061
Other tax prepayments	(f)	402,693	315,496
		4,297,028	4,848,249
Less: Amounts shown under non-current assets		(167,624)	(244,038)
Amounts shown under current assets		4,129,404	4,604,211

Notes:

(a) Considerations in respect of properties sold are paid by purchasers in accordance with the terms of the related sale and purchase agreements.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and services fee is received in accordance with the terms of the relevant property service agreements, normally within 30 days to 1 year after the issuance of demand note to the residents. Each customer from the property operation services has a designated credit limit.

Hotel operation and travel agency service income are in form of cash sales.

The following is an aged analysis of trade receivables of the Group net of allowance for bad and doubtful debts presented based on the date of delivery of the properties to the customers for property sale or the date of rendering of services at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
0 to 30 days	989,820	856,306
31 to 90 days	639,412	593,460
91 to 180 days	212,806	105,115
181 to 365 days	141,949	91,121
Over 1 year	97,982	74,331
	2,081,969	1,720,333

Trade receivables mainly represented receivables amounting to RMB1,007,710,000 (2016:RMB1,025,932,000) from sales of properties, RMB746,823,000 (2016:RMB350,878,000) from property operation services, and RMB327,436,000 (2016: RMB343,523,000) from other segments.

For the year ended 31 December 2017

27. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(a) (continued)

The trade receivables as at 31 December 2017 included the receivables from the property sales of RMB682,683,000 (2016: RMB583,232,000) whereby the banks have agreed to provide mortgage facilities to the property purchasers and the banks are in the process of releasing the funds to the Group.

For property investment and property operation services, before accepting any new customer, the Group would assess the potential customer's credit quality and defined credit rating limits of each customer. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB452,737,000 (2016: RMB270,567,000) which are past due for which the Group has not provided impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2017 RMB'000	2016 RMB'000
91 to 180 days	212,806	105,115
181 to 365 days	141,949	91,121
Over 1 year	97,982	74,331
	452,737	270,567

Movement in the allowance for bad and doubtful debts in respect of trade and other receivables

	2017 RMB'000	2016 RMB'000
Balance at the beginning of the year	132,372	93,259
Impairment losses recognised	62,012	40,771
Amounts written off as uncollectible	(5,432)	(1,658)
Balance at the end of the year	188,952	132,372

At 31 December 2017, included in trade receivables, the carrying amounts pledged for borrowings (2016: RMB54,089,000) has been fully released upon repayment of the corresponding borrowings.

(b) The balance mainly includes the payment on behalf of residents for the utilities and sundry charges of property operation services segment.

For the year ended 31 December 2017

27. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(c) The loan receivables are as follows:

	NOTES	2017 RMB'000	2016 RMB'000
Beijing Jiatewei Management Co., Ltd. 北京嘉特威管理有限公司 ("Jiatewei")	(i)	3,958	111,458
Xi'an Dilian Real Estate Co., Ltd. 西安地聯置業有限責任公司 ("Xi'an Dilian")	(ii)	–	150,000
Shenzhen Qianxun Technology Co., Ltd. 深圳市乾訊科技有限公司 ("Shenzhen Qianxun")	(iii)	13,000	67,500
Shanghai Yinwan Life Network Co., Ltd. 上海銀灣生活網絡股份有限公司 ("Shanghai Yinwan")	(iv)	32,500	9,750
Others	(v)	38,844	–
		88,302	338,708

(i) In January 2016, the Group entered into a loan agreement with Jiatewei, a joint venture partner of the Group regarding the provision of fund amounting to RMB100,000,000 to Jiatewei, with maturity date of 20 January 2018. The fund advanced to Jiatewei carries interest at 12.5% per annum and is secured by 47.5% equity interests in an entity held by Jiatewei and guaranteed by Mr. Cui Tong崔桐, who is the shareholder of Jiatewei. As at 31 December 2017, the principal of RMB100,000,000 has been fully repaid and the outstanding balance represented the interest portion. At the date these consolidated financial statements are authorised for issuance, the interest portion has not been settled.

(ii) In December 2016, the Group entered into a loan agreement with Xi'an Dilian, a company controlled by Ms. Cui Ronghua崔榮華, a non-controlling shareholder of a subsidiary of the Company, regarding the provision of fund amounting to RMB150,000,000 to Xi'an Dilian, with maturity date in May 2017. The fund advanced to Xi'an Dilian carries interest at 12% per annum and is secured by 100% equity interests of Xi'an Dilian and 100% equity interests of two unlisted companies, whose ultimate controlling shareholder is Ms. Cui Ronghua崔榮華. The loan receivable has been fully repaid in 2017.

(iii) In December 2016, the Group entered into a loan agreement with Shenzhen Qianxun, which provides repair and maintenance services to the residential communities through the Group's online platform, regarding the fund provision of RMB70,500,000 to Shenzhen Qianxun with maturity date in June 2017. The fund advanced to Shenzhen Qianxun carries interest at 12% per annum and is unsecured. As at 31 December 2016, the outstanding balance was RMB67,500,000. For the remaining balance amounting to RMB13,000,000 as at 31 December 2017, the Group entered into a supplementary agreement with Shenzhen Qianxun regarding the extension of the maturity date from June 2017 to January 2018. At the date these consolidated financial statements are authorised for issuance, the balance has been fully repaid.

(iv) In October 2016, the Group entered into an agreement with Mr. Hu Zhubang 胡祝幫, the controlling shareholder of Shanghai Yinwan, which cooperate with the Group on the basic platform technology and ecosystem vertical services, regarding the fund provision of RMB32,500,000 with maturity date in December 2019 and is classified as non-current assets. The fund advanced to Shanghai Yinwan carries interest at 12% per annum and is secured by 5.72% equity interests in Shanghai Yinwan.

(v) During the year ended 31 December 2017, the Group has entered into loan agreements with several independent third parties, regarding the fund provision of RMB38,844,000. The loans carry interests ranging from 10.5% to 15.0% per annum and will mature from January 2018 to January 2020. The loans are guaranteed and pledged by equity interest in a borrower or properties and land use rights held by the independent third parties. At 31 December 2017, the amounts of RMB26,550,000 are due in one year and are classified as current assets and the amounts of RMB12,294,000 are due after one year and are classified as non-current assets.

For the year ended 31 December 2017

27. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(d) The balance represented the amount due form the Pixian Government in relation to the land development project located in Chengdu, Sichuan Province. Pursuant to the agreement between the Group and Pixian Government, the Group is responsible for provision of funds to Pixian Government and management of the Land Development Project to Pixian Government while the Pixian Government is required to repay finance cost at Benchmark Rate, investment income at 12% per annum and project management fee at 3% per annum.

As at 31 December 2017, the outstanding principal amounting to RMB122,830,000 is required to be settled upon disposal of land by Pixian Government which is expected to be over one year from the end of the reporting period and is classified under non-current assets.

(e) The balance represented the amount due from the People's Government of Chengdu ("Chengdu Government") in relation to the land development project located in Chengdu, Sichuan Province. The amount due from Chengdu Government has been fully repaid in 2017.

(f) As at 31 December 2017, the balance mainly represented business tax and value-added tax amounting to RMB378,921,000 (2016: RMB301,988,000) in accordance with the relevant PRC tax rules in respect of its pre-sale of property development projects which has been prepaid and included in other tax prepayments.

28. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2017 **RMB'000**	**2016** **RMB'000**
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	258,074	226,937
Less: Progress billings	(167,773)	(170,056)
	90,301	56,881

Analysed for reporting purposes as:

Amounts due from customers for contract works	104,079	73,627
Amounts due to customers for contract works	(13,778)	(16,746)
	90,301	56,881

Retentions held by customers for contract works for construction contracts was included in trade receivables as at 31 December 2017 and 2016. No significant advance was received from customers prior to commencement of contract works as at 31 December 2017 and 2016.

29. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS OF THE SUBSIDIARIES OF THE COMPANY

The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

For the year ended 31 December 2017

30. AMOUNTS DUE FROM JOINT VENTURES

	NOTES	2017 RMB'000	2016 RMB'000
Amounts due from joint ventures			
Non-trade nature	(a)	362,935	354,406
Trade nature	(b)	–	1,369
		362,935	355,775

Notes:

(a) The balance as at 31 December 2016 and 2017 was non-trade in nature, unsecured, interest-free and repayable on demand.

(b) The balance as at 31 December 2016 represented the amount due from Shenzhen Wanxiang, which was trade in nature, unsecured, interest-free and with one year credit term from the issue date of invoice. The aging of the balance, based on date of invoice, was within 180 days and was not past due. During the year ended 31 December 2017, the Group acquired Shenzhen Wanxiang and the balance was eliminated upon completion of the acquisition. The details of the acquisition are set out in note 46(b).

31. AMOUNTS DUE FROM ASSOCIATES

The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

32. AMOUNTS DUE FROM RELATED PARTIES

	NOTES	2017 RMB'000	2016 RMB'000
Amounts due from:			
Non-trade nature	(a)	–	201,979
Trade nature	(b)	–	31,747
		–	233,726

Notes:

(a) As at 31 December 2016, the balance represented amount due from Shenzhen Colour Pay Network Technology Co., Ltd. 深圳市彩付寶網路技術有限公司 ("Shenzhen Colour Pay"), of which the controlling shareholder is Mr. Pan Jun, a director and the chief executive officer of the Company. The balance was non-trade in nature, unsecured, interest-free and repayable on demand. The balance was fully settled in 2017.

(b) As at 31 December 2016, the balance represented amount due from Wanxiangmei, a subsidiary of Shenzhen Wanxiang. The balance was trade in nature, unsecured, interest-free and repayable within one year. The aging of the receivable, based on date of invoice, was within 180 days and was not past due. During the year ended 31 December 2017, the Group acquired Wanxiangmei through acquisition of Shenzhen Wanxiang and the balance was eliminated upon completion of the acquisition. The details of the acquisition are set out in note 46(b).

For the year ended 31 December 2017

33. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL mainly money market funds investment issued by a reputable securities corporation.

The return and principal of money market fund investments were not guaranteed by the securities corporation. The investments as above have been measured at FVTPL at initial recognition as the investments are managed and the performance is evaluated on fair value basis.

The fair value of the money market funds investment at 31 December 2017 and 2016 are determined by market approach, which arrived at by reference to the performance of the underlying investments mainly comprising debt investments in PRC including government debentures, treasury notes, corporate bonds and short-term fixed deposits.

As at 31 December 2017, the principal of the investments are RMB234,460,000 (2016: RMB127,275,000). In the opinion of directors, the fair value of investment at 31 December 2017 approximated to their principal amount.

34. RESTRICTED/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The restricted/pledged bank deposits amounting to RMB1,256,351,000 (2016: RMB1,152,544,000) will be released upon the buyers obtaining the individual property ownership certificate, while a total amount of RMB473,025,000(2016: RMB346,052,000) are proceeded from pre-sale of properties with the restriction of use for settlement of construction costs for relevant property projects. A term deposits amounting to RMB377,176,000 (2016: RMB499,228,000) were pledged to banks to secure banking facilities granted to the Group.

The Group’s restricted/pledged bank deposits and bank balances carry variable interest rates ranging from 0.27% to 3.70% (2016: 0.28% to 3.70%) and from 0.01% to 2.75% (2016: 0.01% to 2.75%), respectively.

As at 31 December 2017 and 2016, bank balances of the relevant group entities denominated in foreign currencies as below:

	2017 **RMB’000**	**2016** **RMB’000**
United States Dollars (“USD”)	3,107,330	1,322,541
Singapore Dollars (“SGD”)	131,423	3,167
Japanese Yen (“JPY”)	33,170	1,376
Hong Kong Dollars (“HKD”)	22,387	859,422
Macao Pataca (“MOP”)	2,617	1,962
Taiwan Dollars (“TWD”)	1,146	30,646

For the year ended 31 December 2017

35. TRADE AND OTHER PAYABLES

	NOTES	2017 RMB'000	2016 RMB'000
Trade payables		3,850,108	2,487,201
Retention payables		7,310	7,128
Deposit received	(a)	567,644	537,172
Other payables	(b)	1,333,135	612,175
Other tax payables		471,689	323,933
Accrued staff costs		625,366	254,203
Consideration payables for acquisition of subsidiaries (note 46)		2,352,484	169,383
Accruals		74,732	53,813
		9,282,468	4,445,008

Trade payables principally comprise amounts outstanding for purchase of materials and subcontracting fee for the construction of properties for sale. The average credit period for purchase of construction materials and settlement of subcontracting fee ranged from two months to one year.

The following is an aged analysis of the Group's trade payables and retention payables presented based on the invoice date at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
0 to 60 days	1,994,373	1,194,063
61 to 180 days	905,494	416,973
181 to 365 days	642,043	458,649
1–2 years	232,191	324,000
2–3 years	74,942	96,064
Over 3 years	8,375	4,580
	3,857,418	2,494,329

Notes:

(a) The balance of deposits received amounting to RMB567,644,000 (2016: RMB537,172,000) mainly represented the earnest money received from potential property buyers.

(b) The balance of other payables mainly included receipt on behalf of residents amounting to RMB408,719,000 (2016: RMB220,670,000) and advances for settlement of property services fees amounting to RMB497,537,000 (2016: RMB133,679,000).

For the year ended 31 December 2017

36. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF THE COMPANY

In 2014, the Group acquired Huizhou TCL Property Development Company Limited 惠州TCL房地產開發有限公司 ("Huizhou TCL Corporation") from TCL Corporation and two other independent third parties at a consideration of RMB1,905,053,000. The consideration of RMB939,525,000 has been settled by the issuance of 863,600,000 ordinary shares of the Company to TCL Corporation and the remaining consideration of RMB965,528,000 was interest-bearing at 10.58% per annum and payable within 3 years by three instalments. The consideration had been fully settled in 2017.

37. AMOUNTS DUE TO JOINT VENTURES

The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

38. AMOUNTS DUE TO ASSOCIATES

The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

For the year ended 31 December 2017

39. BORROWINGS

	NOTES	2017 RMB'000	2016 RMB'000
Bank loans		4,936,910	2,826,679
Other loans	(a)	4,926,735	540,787
		9,863,645	3,367,466
Secured	(b)	6,215,822	3,268,856
Unsecured		3,647,823	98,610
		9,863,645	3,367,466
Carrying amount repayable:			
Within one year		3,022,026	929,458
More than one year, but not exceeding two years		3,951,279	1,559,468
More than two years, but not exceeding five years		2,766,372	776,035
More than five years		123,968	102,505
Total borrowings		9,863,645	3,367,466
Less: Amounts due within one year shown under current liabilities		(3,022,026)	(929,458)
Amounts due after one year shown under non-current liabilities		6,841,619	2,438,008

Notes:

(a) Other loans amounting to RMB2,829,100,000 (2016: RMB300,000,000) represented loans provided by certain trust companies, some of which are secured by the equity interest of a subsidiary of the Company and carried interest rate of 9.2% (2016: 9.3%) per annum. The loan balance as at 31 December 2017 is due in 2019.

Other loans amounting to RMB31,500,000 as at 31 December 2016 represented loans provided by a commercial factoring company, which was secured by trade receivables and carried interest rate ranging from 8.0% to 8.5% per annum. The loan balance has been fully repaid during the year ended 31 December 2017.

Other loans amounting to RMB642,985,000 (2016: RMB201,027,000) is secured by a hotel building and carried interest of 8.4% per annum. The loan balance as at 31 December 2017 is due in 2019.

Other loan amounting to RMB1,000,000,000 (2016: nil) represented loan provided by a former joint venture partner of Shenzhen Wanxiang and carried interest of 8.63% per annum. Details are set out in note 46(b).

The remaining balance of other loans amounting to RMB423,150,000 (2016: RMB8,260,000) carried interest rate of 8.9% per annum, is unsecured and due in 2022.

(b) As at 31 December 2017, certain directors of the Company provided joint guarantees to the banks and trust companies to secure the Group's bank borrowings amounting to RMB795,969,000 (2016: RMB177,300,000) in aggregate.

For the year ended 31 December 2017

39. BORROWINGS (continued)

The amounts due above are based on scheduled repayment dates set out in the loan agreements. As at 31 December 2017, all borrowings are denominated in RMB except that secured borrowings amounting to RMB93,780,000 (2016: RMB157,721,000) and RMB21,633,000 (2016: nil) are denominated in USD and HKD, respectively, and unsecured borrowings amounting to RMB101,592,000 (2016: nil) are denominated in SGD.

The exposure of the Group's borrowings is as following:

	2017 RMB'000	2016 RMB'000
Fixed-rate borrowings	6,235,899	1,517,601
Variable-rate borrowings	3,627,746	1,849,865
	9,863,645	3,367,466

The ranges of effective interest rates on the Group's borrowings are as follows:

	2017	2016
Effective interest rate:		
Fixed-rate borrowings	1.37% to 14.00% per annum	3.45% to 10.50% per annum
Variable-rate borrowings		
London Interbank Offered Rate ("LIBOR")	3.98% per annum	+3.98% per annum
Singapore Interbank Offered Rate ("SIBOR")	2.47% per annum	N/A
Benchmark Lending Rate of the People's Bank of China ("Benchmark Lending Rate")	1.80% to +7.13% per annum	1.80% to +9.00% per annum
Benchmark Deposit Rate of the People's Bank of China ("Benchmark Deposit Rate")	2.10% per annum	2.10% per annum
Interbank Offered Benchmark Rate ("Benchmark Rate")	5.30% to +5.66% per annum	5.66% per annum

For the year ended 31 December 2017

40. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its transportation equipment under finance leases. The average lease term is 7 years (2016: 5 years) for the transportation equipment. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 4.2% to 4.7% per annum for the transportation equipment.

	Minimum lease payments		Present value of minimum lease payments	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Amounts payable under finance leases				
Within one year	64,714	27,780	51,693	23,610
More than one year but not more than two years	62,316	26,799	51,593	22,025
More than two years but not more than five years	146,170	68,730	126,982	66,513
More than five years	86,162	–	80,724	–
	359,362	123,309	310,992	112,148
Less: future finance charge	(48,370)	(11,161)	–	–
Present value of lease obligations	310,992	112,148	310,992	112,148
Less: Amount due for settlement within one year shown under current liabilities			(51,693)	(23,610)
Amount due for settlement after one year shown under non-current liabilities			259,299	88,538

Finance lease obligations of the transportation equipment are denominated in USD, which is the foreign currency of the relevant group entities. Finance lease obligations of the group are secured by the leased assets.

For the year ended 31 December 2017

41. SENIOR NOTES AND BONDS

	NOTES	2017 RMB'000	2016 RMB'000
2012 senior notes due 2017	(a)	–	1,575,183
2013 senior notes due 2020	(b)	1,707,273	1,796,660
2014 senior notes due 2019	(c)	–	2,013,563
2015 senior notes due 2018	(d)	1,313,578	1,383,274
2015 domestic corporate bonds due 2020	(e)	2,021,962	2,016,535
2016 first domestic corporate bonds due 2020	(f)	1,095,052	1,093,627
2016 second domestic corporate bonds due 2019	(g)	406,371	402,585
2016 third domestic corporate bonds due 2019	(h)	3,047,804	3,025,026
2016 May senior notes due 2019	(i)	1,601,413	1,586,433
2016 October senior notes due 2021	(j)	3,280,574	3,486,739
2017 June senior notes due 2018	(k)	3,171,032	–
2017 July senior notes due 2022	(l)	2,013,652	–
2017 domestic corporate bonds due 2020	(m)	146,231	–
		19,804,942	18,379,625
Carrying amounts repayable:			
Within one year		4,484,610	1,575,183
More than one year, but not exceeding two years		5,055,588	1,383,274
More than two years, but not exceeding five years		10,264,744	15,421,168
		19,804,942	18,379,625
Less: Amounts due within one year shown under current liabilities		(4,484,610)	(1,575,183)
Amounts due after one year shown under non-current liabilities		15,320,332	16,804,442

Notes:

(a) 2012 senior notes due 2017

On 27 September 2012, the Company issued senior notes in an aggregate principal amount of US$250,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 99.5% of the principal amount of the senior notes. The senior notes are listed on the Singapore Exchange Securities Trading Limited (the "SGX"). The senior notes carry interest of 13.8% per annum and interest is payable semi-annually on 27 March and 27 September in arrears.

During the year ended 31 December 2016, the Company repurchased the 2012 senior notes due 2017 amounted to RMB210,233,000 at a price of RMB229,044,000, loss on repurchase of 2012 senior notes due 2017 of RMB18,811,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

During the year ended 31 December 2017, the 2012 notes due 2017 was repaid upon maturity on 27 September 2017.

For the year ended 31 December 2017

41. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(b) 2013 senior notes due 2020

On 22 January 2013, the Company issued guaranteed senior notes in an aggregate principal amount of US$250,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 10.75% per annum and interest is payable semi-annually on 22 January and 22 July in arrears. The senior notes will mature on 22 January 2020, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 22 January 2013 ("Applicable Premium 1") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 1 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the principal amount and related interest up to 22 January 2020 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

At any time and from time to time on or after 22 January 2017, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to 100% percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to 22 January 2017, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 110.75% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

Period	**Redemption price**
22 January 2017 – 21 January 2018	105.3750%
22 January 2018 – 21 January 2019	102.6875%
22 January 2019 and thereafter	100.0000%

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 14.6% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2016 and 2017.

(c) 2014 senior notes due 2019

On 23 January 2014, the Company issued guaranteed senior notes in an aggregate principal amount of USD300,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The senior notes are listed on the SGX and carry interest of 10.625% per annum and interest is payable semi-annually on 23 January and 23 July in arrears. The senior notes will mature on 23 January 2019, unless redeemed earlier.

During the year ended 31 December 2016, the Company repurchased the 2014 senior notes due 2019 amounted to RMB148,306,000 at a price of RMB159,183,000, loss on repurchase of 2014 senior notes due 2019 of RMB10,877,000 is recognised in profit or loss. Upon completion of the repurchase, all repurchased senior notes were cancelled.

During the year ended 31 December 2017, the Company repurchased the remaining 2014 senior notes due 2019 amounted to RMB2,023,361,000 at a price of RMB2,140,294,000, loss on repurchase of 2014 senior notes due 2019 of RMB116,933,000 is recognised in profit or loss. Upon completion of the repurchase, the 2014 senior notes due 2019 were fully repurchased and cancelled.

For the year ended 31 December 2017

41. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(d) 2015 senior notes due 2018

On 27 May 2015, the Company issued guaranteed senior notes in an aggregate principal amount of USD200,000,000. The senior notes are guaranteed by certain subsidiaries of the Company. The issue price is 99.26% of the principal amount. The senior notes are listed on the SGX and carry interest of 11.50% per annum and interest is payable semi-annually on 1 June and 1 December in arrears. The senior notes will mature on 1 June 2018, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time prior to 1 June 2018, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 27 May 2015 ("Applicable Premium 2") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 2 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 1 June 2018 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

At any time and from time to time prior to 1 June 2018, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 111.50% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 12.6% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2016 and 2017.

(e) 2015 domestic corporate bonds due 2020

On 18 September 2015, a wholly-owned subsidiary of the Company, Fantasia Group (China) Co., Ltd. 花樣年集團(中國)有限公司 ("Fantasia Group China") issued domestic corporate bonds of RMB2,000,000,000 ("2015 Domestic Corporate Bonds"), which are listed on the Shanghai Stock Exchange ("SSE"). 2015 Domestic Corporate Bonds are unsecured, carry interest at rate of 6.95% per annum and interest is payable annually, commencing on 18 September 2016. 2015 Domestic Corporate Bonds will mature on 16 September 2020 unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the third year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders of 2015 Domestic Corporate Bonds may at their options ("Put Option 1") to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

The above bonds contain a liability component and the Put Options 1. The effective interest rate of the liability component is approximately 7.3% per annum. Put Option 1 held by the bonds holders is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from liability component.

For the year ended 31 December 2017

41. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(f) 2016 first domestic corporate bonds due 2020

On 4 January 2016, a wholly-owned subsidiary of the Company, Fantasia Group China issued public domestic corporate bonds of RMB1,100,000,000 ("2016 First Domestic Corporate Bonds"), which are listed on the Shenzhen Stock Exchange ("SZSE"). The corporate bonds are unsecured, carry interest at rate of 7.29% per annum and interest is payable annually, commencing on 30 December 2016. 2016 First Domestic Corporate Bonds will mature on 31 December 2020 unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the third year subsequent to the inception date, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders of 2016 First domestic corporate bonds may at their options ("Put Options 2") to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

The above bonds contain a liability component and the Put Options 2. The effective interest rate of the liability component is approximately 7.46% per annum. Put Options 2 held by the bonds holders is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from liability component.

(g) 2016 second domestic corporate bonds due 2019

On 29 January 2016, Shenzhen Colour Life Services Group Co., Limited 深圳市彩生活服務集團有限公司 ("Shenzhen Colour Life"), a non-wholly owned subsidiary of the Company, issued first tranche of non-public domestic corporate bonds ("2016 Second Domestic Corporate Bonds") of RMB100,000,000, which are secured, carry interest at rate of 6.7% per annum and interest is payable annually, commencing on 29 January 2017 and will mature on 28 January 2019. The effective interest rate is 7.91% per annum.

On 9 September 2016, Shenzhen Colour Life issued the second tranche of 2016 Second Domestic Corporate Bonds of RMB300,000,000, which are secured, carry interest at rate of 7.00% per annum and interest is payable annually, commencing on 9 September 2017 and will mature on 8 September 2019 respectively. The effective interest rate is 8.1% per annum.

(h) 2016 third domestic corporate bonds due 2019

During the year ended 31 December 2016, Fantasia Group China issued non-public domestic corporate bonds of RMB300,000,000 ("2016 Third Domestic Corporate Bonds") in aggregation by five tranches detailed as below:

Tranche	**Issue date**	**Maturity date**	**Interest rate per annum**	**Principal RMB'000**
First tranche	19 May 2016	19 May 2019	7.5%	500,000
Second tranche	15 July 2016	15 July 2019	6.8%	331,000
Third tranche	17 August 2016	17 August 2019	7.2%	1,300,000
Fourth tranche	23 August 2016	23 August 2019	7.3%	300,000
Fifth tranche	7 September 2016	7 September 2019	6.6%	569,000

The 2016 Third Domestic Corporate Bonds are unsecured and interest is payable annually. The five tranches of domestic corporate bonds will mature in 2019, unless the holders sell back the bonds to Fantasia Group China earlier.

At the end of the second year subsequent to the inception dates, Fantasia Group China as the issuer is entitled to adjust interest rate and the holders of 2016 Third Domestic Corporate Bonds may at their options ("Put Options 3") to sell back the bonds to Fantasia Group China in whole or in part at face value of their principal amount.

The above bonds contain a liability component and the Put Options 3. The effective interest rates of the liability component are approximately 8.22%, 7.52%, 8.05%, 8.29% and 7.97% per annum. Put Options 3 held by the bonds holders is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from liability component.

For the year ended 31 December 2017

41. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(i) 2016 May senior notes due 2019

On 4 May 2016, the Company issued guaranteed senior notes in an aggregate principal amount of RMB600,000,000 ("2016 May Original Senior Notes"). The 2016 May Original Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The 2016 May Original Senior Notes are listed on the SGX and carry interest of 9.5% per annum and interest is payable semi-annually on 4 May and 4 November in arrears. The senior notes will mature on 4 May 2019, unless redeemed earlier.

On 29 August 2016, the Company issued additional guaranteed senior notes in the aggregate nominal value of RMB1,000,000,000 ("2016 May Additional Senior Notes"). The 2016 May Additional Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 101.625% of the principal amount. The 2016 May Additional Senior Notes are listed on SGX and carry interest of 9.5% per annum and interest is payable semi-annually on 29 August and 28 February in arrears, unless redeemed earlier. 2016 May Additional Senior Notes will be consolidated and form a single series with the 2016 May Original Senior Notes with the same terms and conditions of the 2016 May Original Senior Notes, except for the issue date and the issue price.

The senior notes may be redeemed in the following circumstances:

At any time prior to 4 May 2019, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 26 April 2016 ("Applicable Premium 3") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 3 is the excess of the amount equivalent to the principal amount and related interest up to 4 May 2019 discounted at 2% over the principal amount on such redemption date.

At any time and from time to time prior to 4 May 2019, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company at a redemption price of 109.50% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 10.66% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2016 and 2017.

(j) 2016 October senior notes due 2021

On 4 October 2016, the Company issued guaranteed senior notes in an aggregate principal amount of US$400,000,000 ("2016 October Original Senior Notes"). The 2016 October Original Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The 2016 October Original Senior Notes are listed on the SGX and carry interest of 7.375% per annum and interest is payable semi-annually on 4 October and 4 April in arrears. The senior notes will mature on 4 October 2021, unless redeemed earlier.

On 29 December 2016, the Company issued additional guaranteed senior notes in the aggregate nominal value of US$100,000,000 ("2016 October Additional Senior Notes"). The 2016 October Additional Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 99.884% of the principal amount. The 2016 October Additional Senior Notes are listed on SGX and carry interest of 7.375% per annum and interest is payable semi-annually on 4 October and 4 April in arrears, unless redeemed earlier. 2016 October Additional Senior Notes will be consolidated and form a single series with the 2016 October Original Senior Notes with the same terms and conditions of the 2016 October Original Senior Notes, except for the issue date and the issue price.

The senior notes may be redeemed in the following circumstances:

At any time and from time to time on or after 4 October 2019, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the 12 month period beginning on 4 October of the years indicated below.

For the year ended 31 December 2017

41. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(j) 2016 October senior notes due 2021 (continued)

Period	**Redemption price**
4 October 2019 – 3 October 2020	103.688%
4 October 2020 and thereafter	101.844%

At any time prior to 4 October 2019, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 28 September 2016 ("Applicable Premium 4") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 4 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 4 October 2019 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

At any time and from time to time prior to 4 October 2019, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 107.375% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 7.70% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, 31 December 2016 and 2017.

(k) 2017 June senior notes due 2018
On 13 June 2017, the Company issued guaranteed senior notes in an aggregate principal amount of US$350,000,000 ("2017 June Original Senior Notes"). The 2017 June Original Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The 2017 June Original Senior Notes are listed on the SGX and carry interest of 5.5% per annum and interest is payable semi-annually on 13 December 2017 and 12 June 2018 in arrears. The senior notes will mature on 12 June 2018.

On 18 September 2017, the Company issued additional guaranteed senior notes in the aggregate nominal value of US$137,000,000 ("2017 June Additional Senior Notes"). The 2017 June Additional Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 100% of the principal amount. The 2017 June Additional Senior Notes are listed on SGX and carry interest of 5.5% per annum and interest is payable semi-annually on 13 December 2017 and 12 June 2018 in arrears. 2017 June Additional Senior Notes will be consolidated and form a single series with the 2017 June Original Senior Notes with the same terms and conditions of the 2017 June Original Senior Notes, except for the issue date and the issue price.

For the year ended 31 December 2017

41. SENIOR NOTES AND BONDS (continued)

Notes: (continued)

(l) 2017 July senior notes due 2022

On 5 July 2017, the Company issued guaranteed senior notes in an aggregate principal amount of US$300,000,000. The Senior Notes are guaranteed by certain subsidiaries of the Company. The issue price is 99.797% of the principal amount. The Senior Notes are listed on the SGX and carry interest of 7.95% per annum and interest is payable semi-annually on 5 January and 5 July in arrears. The senior notes will mature on 5 July 2022, unless redeemed earlier.

The senior notes may be redeemed in the following circumstances:

At any time and from time to time on or after 5 July 2020, the Company may at its option redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the 12 month period beginning on 5 July of the years indicated below.

Period	**Redemption price**
5 July 2020 – 4 July 2021	103.9750%
5 July 2021 and thereafter	101.9875%

At any time prior to 5 July 2020, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus applicable premium as defined in the offering memorandum of the Company dated 28 June 2017 ("Applicable Premium 5") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 5 is the greater of 1% of the principal amount of such senior notes or the excess of the amount equivalent to the of principal amount and related interest up to 5 July 2020 discounted at a rate equal to comparable treasury price in the USA plus 100 basis points over the principal amount.

At any time and from time to time prior to 5 July 2020, the Company may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of the issuance of ordinary shares of the Company in an equity offering at a redemption price of 107.95% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the senior notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The senior notes contain a liability component and the above early redemption options. The effective interest rate of the liability component is approximately 8.26% per annum. Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and 31 December 2017.

(m) 2017 domestic corporate bonds due 2020

On 10 November 2017, Shenzhen Colour Life issued domestic corporate bonds in aggregate principal amount of RMB150,000,000 ("2017 Domestic Corporate Bonds"), which are listed on SZSE. The corporate bonds are unsecured, carry interest at rate of 7.0% per annum and interest is payable annually, commencing on 10 November 2018. The issue price is 96.3% of the principal. The effective interest rate is 8.4% per annum. The 2017 Domestic Corporate Bonds will mature on 10 November 2020.

The movements of the senior notes and bonds during the year are set out below:

	2017 **RMB'000**	**2016** **RMB'000**
At 1 January	18,379,625	9,535,252
Net proceeds on the date of issuance of senior notes and bonds	5,419,191	9,304,790
Exchange (gain) loss	(670,399)	637,911
Interest expenses	1,649,157	1,364,974
Loss on early redemption of senior notes	116,933	29,688
Payment of interest	(1,495,033)	(1,104,763)
Repayment of senior notes	(1,454,238)	(1,000,000)
Early redemption of senior notes	(2,140,294)	(388,227)
At 31 December	19,804,942	18,379,625

For the year ended 31 December 2017

42. ASSETS BACKED SECURITIES ISSUED

	2017 RMB'000	2016 RMB'000
Assets backed securities issued	227,737	275,084
Carrying amounts repayable:		
Within one year	42,533	37,642
More than one year, but not exceeding two years	56,986	52,236
More than two years, but not exceeding five years	128,218	185,206
	227,737	275,084
Less: Amounts due within one year shown under current liabilities	(42,533)	(37,642)
Amounts due after one year included in non-current liabilities	185,204	237,442

In August 2016, Shenzhen Colour Life issued assets backed securities ("ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China. The ABS were issued at a discount of 5% with aggregate nominal value of RMB300,000,000 which carry interests ranging from 4.5% to 6.1% per annum. Under the securitisation arrangement, the principal and interest are payable quarterly and with maturity from November 2016 to August 2021. The effective interest rates range from 6.9% to 8.3% per annum.

For certain portion of ABS amounting to RMB135,000,000, at the end of the third year, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of ABS may at their options ("Put Option 4") to sell back the ABS to the Group in whole or in part at face value of their principal amount. Put Option 4 is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the written put option is not separated from liability portion.

The movement of the ABS during the year is set out below:

	2017 RMB'000	2016 RMB'000
At 1 January	275,084	–
Net proceeds on the date of issuance of ABS	–	284,930
Interest expenses	19,332	6,863
Repayment of principal	(51,250)	(12,500)
Interest paid	(15,429)	(4,209)
At 31 December	227,737	275,084

For the year ended 31 December 2017

43. DEFINED BENEFIT OBLIGATIONS

ASIMCO Tianwei Fuel Injection Equipment Stock (Beijing) Co., Ltd. 北京亞新科天緯油泵油嘴股份有限公司 ("ASIMCO Tianwei"), a non-wholly-owned subsidiary of the Company paid post-employment obligations to its eligible employees who had retired and would be retired in the future as at 31 December 2012 in the PRC in accordance with employee benefit scheme adopted by the subsidiary. These benefits were only applicable to the qualifying employees.

The plan exposes the Group to actuarial risks such as interest rate risk, salary increase risk, average salary expense risk and turnover rate risk.

Interest rate risk	The present value of the defined benefit plan obligations is calculated using a discount rate determined by reference to government bond yields. As such, a decrease in the bond interest rate will increase the plan liability.
Salary increase risk	The present value of the defined benefit plan obligations is calculated by reference to the future benefits of plan participants. As such, an increase in the salary of the plan participants will increase the plan liability.
Average salary expense risk	The present value of the defined benefit plan obligations is calculated by reference to the future average salary expense of plan participants. As such, an increase in the average salary expense of the plan participants will increase the plan liability.
Turnover rate risk	The present value of the defined benefit plan obligations is calculated by reference to the future turnover of plan participants. As such, a decrease in the turnover of the plan participants will increase the plan liability.

The actuarial valuation of the present value of the defined benefit obligations as at 31 December 2016 and 2017 was carried out by an independent firm of actuaries, Aon Hewitt Consulting (Shanghai) Co., Ltd., a member of American Academy of Actuaries. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	31 December 2017	**31 December 2016**
Discount rate	4.25%	3.75%
Salary increase rate	5.00%	5.00%
Average salary expense trend rate	5.00%	5.00%
Turnover rate	4.00%	4.00%

For the year ended 31 December 2017

43. DEFINED BENEFIT OBLIGATIONS (continued)

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	2017 RMB'000	2016 RMB'000
Service cost	1,435	1,590
Interest cost	2,383	2,146
Components of defined benefit costs recognised in profit or loss	3,818	3,736
Component of defined benefit costs recognised in other comprehensive income	8,035	22,974
Total	11,853	26,710

Service cost is included in the administrative expenses in profit or loss. The interest cost is included in the finance costs in profit or loss. The remeasurement of the net defined benefit obligations arising from changes in financial assumptions is included in other comprehensive income.

The amount of retirement and supplemental benefit obligations recognised in the consolidated statement of financial position are determined as follows:

Movements in the present value of the retirement and supplemental benefit obligations during the year were as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	126,952	–
Liabilities assumed in a business combination (note 46(b))	–	102,813
Service cost	1,435	1,590
Interest cost	2,383	2,146
Benefits paid (note a)	(73,120)	(2,571)
Liabilities extinguished on settlements (note b)	(62,850)	–
Actuarial losses arising from changes in financial assumptions recognised in other comprehensive income	8,035	22,974
At 31 December	2,835	126,952

For the year ended 31 December 2017

43. DEFINED BENEFIT OBLIGATIONS (continued)

Notes:

During the year ended 31 December 2017, ASIMCO Tianwei relocated of its plant from Beijing to Tian Jin. After negotiation with retired employees and existing employees, the Group entered into benefit transfer arrangements with retired employees and termination contracts with existing employees, details are as follows:

(a) Pursuant to the benefit transfer arrangements, the Group transferred its post-employment obligations to a large portion of the retired employees to China Pacific Life Insurance Co., Ltd. at a consideration of RMB73,120,000. With the effectiveness of the benefit transfer arrangement, the Group did not have any post-employment obligations to those retired employees under the employee benefit scheme adopted by the Group as at 31 December 2017.

(b) Pursuant to the termination contracts, the Group would settle severance payment amounting to at RMB169,864,000 in aggregation with the employees. Upon settlement of the severance payments, the post-employment obligations amounting to RMB62,850,000 were extinguished and loss of settlement of defined benefit obligations amounting to RMB107,014,000 was recognised in profit or loss during the year ended 31 December 2017.

Mortality is assumed to be the average life of expectancy of residents in the PRC and the medical costs paid to early retirees are assumed to continue until the death of the retirees.

Significant actuarial assumptions made in determining defined benefit obligations are discount rate and salary increase rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other factors constant.

- If the discount rate on benefit obligations increase by 1% (2016:1%), the defined benefit obligations would decrease by RMB444,000 (2016:RMB17,133,000) for the year ended 31 December 2017;

- If the discount rate on benefit obligations decrease by 1% (2016:1%), the defined benefit obligations would increase by RMB558,000 (2016:RMB21,814,000) for the year ended 31 December 2017;

- If the salary increase rate increases by 1% (2016:1%), the defined benefit obligations would increase by RMB170,000 (2016:RMB5,389,000) for the year ended 31 December 2017; and

- If the salary increase rate decreases by 1% (2016:1%), the defined benefit obligations would decrease by RMB154,000 (2016:RMB4,724,000) for the year ended 31 December 2017.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statement of financial position.

For the year ended 31 December 2017

43. DEFINED BENEFIT OBLIGATIONS (continued)

There was no change in the methods and assumptions used in preparing the sensitivity analysis during the reporting period.

The average duration of the benefit obligations can be analysed as follows:

- Retired members: 10.4 years (2016: 9.8 years) for the year ended 31 December 2017; and
- Current members: 21.6 years (2016: 21.1 years) for the year ended 31 December 2017.

44. PROVISIONS

	2017 RMB'000	**2016 RMB'000**
Analysed for reporting purposes as:		
Current liabilities	40,131	37,154

	Properties provision RMB'000 (note a)	**Warranty provision RMB'000** (note b)	**Total RMB'000**
At 1 January 2017	20,491	16,663	37,154
Addition of provision	–	26,304	26,304
Utilisation of provision	–	(23,327)	(23,327)
At 31 December 2017	20,491	19,640	40,131

Notes:

(a) In 2013, the Group acquired Shenzhen Tengxing Hongda Investment Development Co., Ltd. 深圳騰星宏達投資發展有限公司 ("Shenzhen Tengxing") from an independent third party. Pursuant to the sales and purchase agreement, the Group agreed with the former equity holder of Shenzhen Tengxing that after the property project construction completed by the Group, the Group is required to transfer 5% of the completed property of this property project to the former equity holder of Shenzhen Tengxing.

The potential amount of the costs (including development expenditure and other attributable expenses of the construction of properties) to be incurred to complete for this 5% completed property to be delivered to the former equity holder of Shenzhen Tengxing is accounted for as a provision. The property project construction was completed as at 31 December 2017 and the completed properties are to be delivered on demand.

(b) The provision represented the warranty provision granted on fuel pumps, which is the management's best estimate of the Group's liability under 1 year warranty granted on fuel pumps, based on prior experience and industry averages for defective products.

For the year ended 31 December 2017

45. SHARE CAPITAL

	Number of shares	Amount HK$	Equivalent to RMB'000
Ordinary shares of HK0.1 each			
Authorised:			
At 1 January 2016, 31 December 2016 and 2017	8,000,000,000	800,000,000	704,008
Issued and fully paid:			
At 1 January 2016	5,761,179,424	576,117,942	497,797
Issue of shares upon exercise of share options	617,640	61,764	51
At 31 December 2016	5,761,797,064	576,179,706	497,848
Issue of shares upon exercise of share options	225,160	22,516	20
At 31 December 2017	5,762,022,224	576,202,222	497,868

46. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of assets and liabilities through acquisition of subsidiaries

For the year ended 31 December 2017

Name of subsidiaries acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration RMB'000
江西銀盛房地產開發有限公司 Jiangxi Yinsheng Real Estate Co., Ltd. ("Jiangxi Yinsheng")	The PRC	March	100%	10,000
武漢市嘉倫誠泰商貿有限公司 Wuhan Jialun Chengtai Commercial Trading Co., Ltd. ("Wuhan Jialun")	The PRC	March	67%	30,000
太倉起浩商貿有限公司 Taicang Qihao Commercial Trading Co., Ltd. ("Taicang Qihao")	The PRC	June	100%	275,973
成都牽銀投資有限公司 Chengdu Qianyin Investment Co., Ltd. ("Chengdu Qianyin")	The PRC	August	100%	118,905
Nanjing Zhongchu (Note 16(a))	The PRC	August	10%	513,261

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2017 (continued)

Name of subsidiaries acquired	**Place of establishment/ incorporation**	**Acquisition in**	**Equity interest acquired**	**Consideration RMB'000**
武漢中森華永紅房地產開發有限公司 Wuhan Zhongsenhua Yonghong Property Development Co., Ltd. ("Wuhan Zhongsenhua")	The PRC	September	100%	127,000
惠州市光亮房地產開發有限公司 Huizhou Guangliang Property Development Co., Ltd. ("Huizhou Guangliang")	The PRC	November	100%	1,630,000
四川亘興商貿有限公司 Sichuang Genxing Commercial Trading Co., Ltd. ("Sichuan Genxing")	The PRC	December	100%	2,456

During the year ended 31 December 2017, the Group acquired 10% equity interest of Nanjing Zhongchu from the other joint venture partner. Except for the acquisition of Nanjing Zhongchu, the remaining subsidiaries were acquired from independent third parties. The acquisitions were accounted for as purchase of assets and liabilities.

For the year ended 31 December 2016

Name of subsidiaries acquired	**Place of establishment/ incorporation**	**Acquisition in**	**Equity interest acquired**	**Consideration RMB'000**
四川瀚峰置業有限公司 Sichuan Hanfeng Real Estate Co., Ltd. ("Sichuan Hanfeng")	The PRC	July	91%	727,900
上海粵商投資有限公司 Shanghai Yueshang Investment Co., Ltd.	The PRC	November	100%	151,610

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2016 (continued)

During the year ended 31 December 2016, all the subsidiaries were acquired from independent third parties. The acquisitions were accounted for as purchase of assets and liabilities.

Details of the net assets acquired in respect of the above transaction are summarised below:

	2017 RMB'000	2016 RMB'000
Net assets acquired		
Property, plant and equipment	2,517	35
Investment properties	800,992	–
Available-for-sale investment	1,300	–
Prepaid lease payments	–	360,641
Premium on prepaid lease payments	–	403,861
Properties under development for sale	4,936,274	280,100
Trade and other receivables	301,200	35,864
Tax recoverables	21,966	–
Bank balances and cash	75,028	8
Trade and other payables	(1,094,345)	(168,951)
Deposits received for sale of properties	(545,789)	–
Amounts due to certain subsidiaries of the Company	(284,026)	–
Borrowings	(1,437,030)	–
	2,778,087	911,558

The trade and other receivables (including amounts due from certain subsidiaries of the Company) acquired with a fair value of RMB301,200,000 (2016: RMB35,864,000) as at the date of acquisitions during the year ended 31 December 2017, approximate its gross contractual amount, with no significant contractual cash flows not expected to be collected.

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognised as an expense in the year incurred within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of assets and liabilities through acquisition of subsidiaries (continued)

For the year ended 31 December 2016 (continued)

	2017 RMB'000	2016 RMB'000
Total consideration satisfied by:		
Cash	910,553	755,610
Consideration payables due within one year included in trade and other payables	1,357,104	123,900
	2,267,657	879,510
Add: Non-controlling interests	70,492	32,048
Fair value of the Group's previously held equity interest in Nanjing Zhongchu	439,938	–
	2,778,087	911,558

The non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets amounting to RMB70,492,000 (2016: RMB32,048,000) as at the date of acquisitions during the year ended 31 December 2017.

The fair value of the Group's previously held equity interest in Nanjing Zhongchu is estimated by an independent valuer through application of residual approach and income approach and the key inputs of the valuation are the gross development value on completion basis, construction costs to completion and the discount rates. The difference between the fair value and the carrying amount of the Group's previously held interest in Nanjing Zhongchu amounting to RMB103,489,000 was recognised as gain on remeasurement during the year ended 31 December 2017.

	2017 RMB'000	2016 RMB'000
Net cash outflow arising on acquisitions		
Cash consideration paid in current year	(910,553)	(755,610)
Bank balances and cash acquired	75,028	8
	(835,525)	(755,602)

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses

For the year ended 31 December 2017

The Group acquired following companies at a total consideration of RMB1,238,652,000. At the time of acquisition, the directors of the Company are of the view that the acquisition constitutes businesses combination. The transactions have been accounted for using the purchase method accordingly.

The aforesaid subsidiaries were acquired so as to continue the expansion of the Group's property management.

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Equity interest acquired	Principal activities
福建永嘉商業物業管理有限公司 Fujian Yongjia Commercial Property Management Co., Ltd.	1,200	March	60%	Provision of property operation services
武漢天宇弘物業管理有限公司 Wuhan Tianyuhong Property Management Co., Ltd. ("Wuhan Tianyuhong") (note b)	4,800	March	80%	Provision of property operation services
寶鷄市彩生活物業管理有限公司 Baoji Colour Life Property Management Co., Ltd. ("Baoji Jufeng") (note b)	3,500	March	70%	Provision of property operation services
九江中輝恒佳物業服務有限公司 Jiujiang Zhonghui Hengjia Property Service Co., Ltd. ("Jiujiang Zhonghui") (note b)	– (note a)	March	100%	Provision of property operation services
深圳市前海微生活網路服務有限公司 Shenzhen Qianhai Weishenghuo Internet Services Co., Ltd.	– (note a)	August	100%	Provision of property operation services
長沙市觀瀾湖物業服務有限公司 Changsha Guanlanhu Property Services Co., Ltd.	30,000	September	80%	Provision of property operation services
南昌福田物業管理有限公司 Nanchang Futian Property Management Co., Ltd.	11,980	September	80%	Provision of property operation services
常州源鑫物業服務有限公司 Changzhou Yuanxin Property Management Co., Ltd.	10,000	September	100%	Provision of property operation services
高郵市通揚物業服務有限公司 Gaoyou Tongyang Property Services Co., Ltd.	3,300	September	70%	Provision of property operation services

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2017 (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Equity interest acquired	Principal activities
成都浩佳物業服務有限公司 Chengdu Haojia Property Management Co., Ltd.	15,800	September	90%	Provision of property operation services
武漢九坤捷城物業管理有限公司 Wuhan Jiukun Jiecheng Property Management Co., Ltd.	– (note a)	September	70%	Provision of property operation services
常州九洲福安物業服務有限公司 Changzhou Jiuzhou Fuan Property Services Co., Ltd.	39,700	November	100%	Provision of property operation services
本溪金利物業有限公司 Benxi Jinli Property Co., Ltd.	6,200	December	80%	Provision of property operation services
上海同洡物業管理有限公司 Shanghai Tonglai Property Management Co., Ltd. ("Shanghai Tonglai")	100,000	December	100%	Provision of property operation services
上海友全物業管理有限公司 Shanghai Youquan Property Management Co., Ltd.	12,652	December	70%	Provision of property operation services
濟南齊華物業管理有限公司 Jinan Qihua Property Management Co., Ltd.	7,000	November	51%	Provision of property operation services
Shenzhen Jiaxin (note b and c)	992,520	December	100%	Provision of property operation services

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2017 (continued)

Notes:

(a) The consideration was less than RMB1,000.

(b) During the year ended 31 December 2017, the Group acquired 80%, 70% and 100% equity interest of Wuhan Tianyuhong, Baoji Jufeng and Jiujiang Zhonghui, respectively, from certain non-controlling shareholders of subsidiaries of the Company, and acquired 100% equity interest in Shenzhen Jiaxin from a joint venture partner of the Group. Except for the acquisitions of Wuhan Tianyuhong, Baoji Jufeng and Jiujiang Zhonghui, the remaining subsidiaries were acquired from independent third parties.

(c) On 29 December 2017, the Group acquired the 100% equity interest in Shenzhen Jiaxin, a limited party of Shenzhen Wanxiang, from Chuangshi Jianian, a joint venture of the Group, at a consideration of RMB992,520,000. On the same day, the Group entered into a supplemental partnership agreement with other partners regarding the revision of the terms of the cooperation. Thereafter, the Group have 100% beneficial interest in Shenzhen Wanxiang and 100% equity interest in Wanxiangmei. Shenzhen Wanxiang and its subsidiaries are reclassified from joint ventures to subsidiaries of the Company. Details are set out in note 16(b).

For the year ended 31 December 2016

The Group acquired following companies at a total consideration of RMB729,368,000. At the time of acquisition, the directors of the Company were of the view that the acquisition constitutes businesses combination. The transactions had been accounted for using the purchase method accordingly.

The aforesaid subsidiaries were acquired so as to continue the expansion of the Group's property development, property management and other operations.

Name of subsidiaries acquired	**Consideration RMB'000**	**Acquisition in**	**Equity interest acquired**	**Principal activities**
美國ASIMCO第三投資公司 American ASIMCO Investments III Ltd.	438,825	June	100%	Manufacturing and sale of fuel pumps
合浦縣南珠物業服務有限責任公司 Hepu Nanzhu Property Service Co., Ltd.	8,000	January	80%	Provision of property operation services
襄陽美溢達物業服務有限公司 Xiangyang Meiyida Property Service Co., Ltd.	3,600	January	80%	Provision of property operation services
包頭市眾聯行物業服務有限公司 Baotou Zhonglianhang Property Service Co., Ltd.	3,580	January	80%	Provision of property operation services
婁底市和園物業服務有限公司 Loudi Heyuan Property Service Co., Ltd.	300	January	51%	Provision of property operation services
寧夏藍山之家物業服務有限公司 Ningxia Nanshan Zhijia Property Service Co., Ltd.	– (note a)	February	80%	Provision of property operation services

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2016 (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Equity interest acquired	Principal activities
連雲港市鴻鑫物業管理有限公司 Lianyungang Hongxin Property Management Co., Ltd.	3,000	April	70%	Provision of property operation services
長沙美景物業管理有限公司 Changsha Meijing Property Management Co., Ltd.	5,000	April	70%	Provision of property operation services
重慶泓山物業管理有限公司 Chongqing Hongshan Property Management Co., Ltd.	81,749	June	87%	Provision of property operation services
成都嘉迅物業管理有限公司 Chengdu Jiaxun Property Management Co., Ltd.	12,104	June	100%	Provision of property operation services
江蘇立德綠色建築系統集成有限公司 Jiangsu Leedeer Fabricated Green Building Co. Ltd.	30,000	July	60%	Provision of construction services
上海軒宇物業管理有限公司 Shanghai Xuanyu Property Management Co., Ltd.	2,530	August	80%	Provision of property operation services
常州九洲福安物業服務有限公司 Changzhou Jiuzhou Fuan Property Management Co., Ltd.	31,700	August	100%	Provision of property operation services
昆山中恒物業管理有限公司 Kunshan Zhongheng Property Management Co., Ltd.	5,679	August	80%	Provision of property operation services
常州源鑫物業服務有限公司 Changzhou Yuanxin Property Management Co., Ltd.	6,000	August	100%	Provision of property operation services
江蘇金陽物業管理有限責任公司 Jiangsu Jinyang Property Management Co., Ltd.	5,880	August	80%	Provision of property operation services
福州三澤物業管理有限公司 Fuzhou Sanze Property Management Co., Ltd.	– (note a)	August	80%	Provision of property operation services
東莞市方圓物業管理有限公司 Dongguan Fangyuan Property Management Co., Ltd.	3,130	August	90%	Provision of property operation services
成都宏鵬物業管理有限公司 Chengdu Hongpeng Property Management Co., Ltd.	90,100	August	100%	Provision of property operation services

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2016 (continued)

Name of subsidiaries acquired	Consideration RMB'000	Acquisition in	Equity interest acquired	Principal activities
貴州深宏業物業服務有限公司 Guizhou Shenhongye Property Management Co., Ltd.	8,800	August	80%	Provision of property operation services
福州新三澤物業服務有限公司 Fuzhou Xinsanze Property Management Co., Ltd.	9,000	August	80%	Provision of property operation services
四川省西城物業經營管理有限公司 Sichuan Xicheng Property Operation Management Co., Ltd.	5,760	August	80%	Provision of property operation services
廣安市現代物業管理有限責任公司 Guangan Xiandai Property Management Co., Ltd.	1,920	August	80%	Provision of property operation services
內江金黃物業管理有限公司 Neijiang Jinhuang Property Management Co., Ltd.	2,000	August	80%	Provision of property operation services
貴州深宏運商業運營管理有限公司 Guizhou Shenhongyun Business Operation Management Co., Ltd.	– (note a)	August	80%	Property management
贛州嘉聯運物業管理有限公司 Ganzhou Jialianyun Property Management Co., Ltd.	2,080	September	80%	Provision of property operation services
福建永嘉商業物業管理有限公司 Shanghai Xuanyu Property Management Co., Ltd.	1,200	October	60%	Provision of property operation services
南昌市友聯置業有限公司 Nanchang Union Real Estate Co. Ltd.	1,320	November	60%	Provision of property operation services
武漢美樂居置業有限公司 Wuhan Miller Real Estate Co., Ltd.	5,010	November	50%	Provision of property operation services

Notes:

(a) The consideration was less than RMB1,000.

(b) During the year ended 31 December 2016, all the subsidiaries were acquired from independent third parties.

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2016 (continued)

Total consideration transferred

	2017 RMB'000	2016 RMB'000
Cash	140,860	668,994
Deposits paid in prior years	102,412	14,891
Consideration payables due within one year included in trade and other payables	995,380	45,483
	1,238,652	729,368

Acquisition-related costs were insignificant and have been recognised as an expense in the current year and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the dates of acquisition are as follows:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	71,573	285,750
Interests in an associate	453	–
Interests in a joint venture	207	–
Intangible assets	1,092,852	81,378
Prepaid lease payments	–	59,791
Premium on prepaid lease payments	–	1,231,740
Inventories	–	65,224
Trade and other receivables	743,106	420,473
Tax recoverable	24,144	–
Amounts due from certain subsidiaries of the Company	378,971	–
Amounts due from non-controlling shareholders of the subsidiaries	39,212	41,949
Bank balances and cash	1,055,833	52,905
Trade and other payables	(1,174,704)	(490,967)
Amounts due to certain subsidiaries of the Company	(146,901)	(270,186)
Amounts due to non-controlling shareholders of the subsidiaries	(4,872)	–
Amount due to a joint venture	(14)	–
Amount due to an associate	(372)	–
Tax liabilities	(855)	(2,826)
Borrowings	(344,600)	(48,053)
Provision	–	(14,873)
Defined benefit obligations	–	(102,813)
Deferred tax liabilities	(271,163)	(253,224)
Other loan (note)	(1,000,000)	–
	462,870	1,056,268

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2016 (continued)

Assets acquired and liabilities recognised at the dates of acquisition are as follows: (continued)

Note: During the year ended 31 December 2017, the Group entered into a supplemental partnership agreement with other joint venture partners of Shenzhen Wanxiang, regarding the revision of terms of the cooperative agreement. Pursuant to the supplemental agreement, the Group obtained effective control over Shenzhen Wanxiang which became a wholly-owned subsidiary of the Company (details are set out in note 16(b)) and the fixed return on the loan provided by the former joint venture partner was changed from 4.379% per annum to at 8.63% per annum. Upon completion of the aforesaid acquisition, the amount due to the former joint venture partner was reclassified to other loan.

The trade and other receivables (including amounts due from certain subsidiaries of the Company and non-controlling shareholders of the subsidiaries of the Company) acquired with a fair value of RMB1,161,289,000 (2016: RMB462,422,000) as at the date of acquisitions during the year ended 31 December 2017 approximate its gross contractual amount, with no significant contractual cash flows not expected to be collected.

The fair value of intangible assets acquired in business combination as at the date of acquisitions is estimated by an independent valuer through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees. The economic benefits and related costs are in turn projected over the expected survival period, taking into consideration of the attrition rate, the growth rate and the discount rate.

Goodwill arising on acquisitions

	2017 RMB'000	2016 RMB'000
Consideration transferred	1,238,652	729,368
Add: Non-controlling interests	24,299	506,101
Fair value of the Group's previously held equity interest in Shenzhen Wanxiang classified as interests in joint ventures	647,983	–
Fair value of the Group's previously held equity interest in Wanxiangmei classified as available-for-sale investments	30,000	–
Less: Fair value of net identifiable assets acquired	(462,870)	(1,056,268)
	1,478,064	179,201

The non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets amounting to RMB24,299,000 (2016: RMB506,101,000) at the acquisition date during the year ended 31 December 2017.

The fair value of the Group's previously held interests in Shenzhen Wanxiang and Wanxiangmei is estimated by an independent valuer and the key inputs of the valuation are the expected future cash inflows/outflows of Shenzhen Wanxiang and Wanxiangmei, the growth rates and the discount rates. The difference between the fair value and the carrying amounts of the Group's previously held interests in Shenzhen Wanxiang and Wanxiangmei amounting to RMB459,230,000 was recognised as gain on remeasurement during the year ended 31 December 2017.

Goodwill was arisen on the acquisitions of subsidiaries during the years ended 31 December 2017 and 2016, because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the business.

For the year ended 31 December 2017

46. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of businesses (continued)

For the year ended 31 December 2016 (continued)

Goodwill arising on acquisitions (continued)

Intangible assets of RMB1,092,852,000 (2016: RMB81,378,000) in relation to the acquisition of subsidiaries under property management services segment have been recognised by the Group.

None of the goodwill arising on the acquisitions are expected to be deductible for tax purposes. The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share of the acquirees' net identifiable assets/liabilities at the acquisition dates.

Net cash inflow (outflow) arising on acquisitions

	2017 RMB'000	2016 RMB'000
Cash consideration paid	(140,860)	(668,994)
Less: Bank balances and cash acquired	1,055,833	52,905
	914,973	(616,089)

47. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

For the year ended 31 December 2017

(i) In March 2017, the Group disposed of its 100% equity interests in Shenzhen Huigang Property Management Co., Ltd. 深圳市匯港物業管理有限責任公司 to an independent third party for a consideration of RMB5,500,000, which is engaged in property management services in the PRC.

(ii) In June 2017, the Group disposed of its 100% equity interests in Xiehe Golf (Shanghai) Co., Ltd. 協和高爾夫(上海)有限公司, to an independent third party for a consideration of RMB120,000,000, which is engaged in hotel operation.

(iii) In December 2017, the Group disposed of its 100% equity interest in Jingchuan Fantasia Culture Tourism Development Co., Ltd. 涇川花樣年文化旅游產業開發有限公司 to an independent third party for a consideration of RMB220,000,000, which is engaged in property development in the PRC.

For the year ended 31 December 2016

(i) In May 2016, the Group disposed of the 100% equity interests of Shenzhen Huajun Investment Management Co., Ltd. 深圳花郡投資管理有限公司 to a third party for a consideration of RMB549,305,000, which is engaged in property investment.

(ii) In November 2016, the Group disposed of the 100% equity interests of Sichuan Ximei Investment Co., Ltd. 四川西美投資有限公司 to Shenzhen Dingsheng, a joint venture of the Company for a consideration of RMB1,100,000,000, which is engaged in property development.

(iii) In December 2016, the Group disposed of certain investment properties through the disposal of the 100% equity interests of Wuxi Fantasia Real Estate Co., Ltd. 無錫花樣年房地產有限公司 to a third party for a consideration of RMB51,000,000, which is engaged in property development.

For the year ended 31 December 2017

47. DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal of subsidiaries (continued)

For the year ended 31 December 2017 (continued)

The above transactions are accounted for as disposal of subsidiaries. Details of the net assets disposed of in respect of these transactions are summarised below:

	2017 RMB'000	2016 RMB'000
Analysis of assets and liabilities over which control was lost:		
Property, plant and equipment	18,673	1,543
Investment properties	3,593	697,431
Goodwill	24,087	–
Prepaid lease payment	131,031	–
Deferred tax assets	–	60,691
Trade and other receivables	84,997	116,862
Properties for sale	362,998	3,482,224
Tax recoverable	2,585	–
Amount due from a joint venture of the Company	–	777,116
Amounts due from certain subsidiaries of the Company	8,872	–
Bank balances and cash	2,851	67,159
Trade and other payables	(427,406)	(868,415)
Deposits received on sale of properties	(50,764)	(290,809)
Tax liabilities	–	(437,502)
Borrowings	(10,000)	(50,000)
Amount due to a non-controlling shareholder of a subsidiary of the Company	(445)	–
Amounts due to certain subsidiaries of the Company	(110,061)	(1,846,568)
Amounts due to joint ventures	–	(3,901)
Deferred tax liabilities	(546)	(46,459)
	40,465	1,659,372
Gain on disposal of subsidiaries:		
Cash consideration	345,500	1,674,805
Consideration receivables	–	25,500
	345,500	1,700,305
Add: Non-controlling interest	1,193	–
Less: Net assets disposed of	(40,465)	(1,659,372)
	306,228	40,933
Net cash inflow arising on disposal:		
Cash consideration	345,500	1,674,805
Bank balances and cash disposed of	(2,851)	(67,159)
	342,649	1,607,646

47. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of partial interests in subsidiaries without loss of control

For the year ended 31 December 2017

(i) During the year ended 31 December 2017, an independent investor injected capital in the form of registered capital and contribution reserve amounting to RMB237,900,000 and RMB762,100,000 respectively to Sichuan Hanfeng, a non-wholly owned subsidiary of the Company, resulting in the dilution of the Group's equity interest in Sichuan Hanfeng from 91% to 55%. The Group still have control over the relevant activities of Sichuan Hanfeng after the partial disposal. The difference between the capital injected by the independent investor and the attributable equity interest in Sichuan Hanfeng disposed amounted to RMB244,864,000 was credited to special reserve. Sichuan Hanfeng is engaged in property development in the PRC. As at 31 December 2017, the capital was fully injected to Sichuan Hanfeng.

(ii) During the year end 31 December 2017, an independent investor injected capital in the form of registered capital and contribution reserve amounting to RMB376,667,000 and RMB123,333,000 respectively to Tianjin Huaqianli Real Estate Co., Ltd. 天津市花千里房地產開發有限公司 ("Tianjin Huaqianli"), a wholly owned subsidiary of the Company, resulting in the dilution of the Group's equity interest in Tianjin Huaqianli from 100% to 60%. The Group still have control over the relevant activities of Tianjin Huaqianli after the partial disposal. The difference between the capital injected by the independent investor and the attributable equity interest in Tianjin Huaqianli disposed amounted to RMB26,009,000 was debited in special reserve. Tianjin Huaqianli is engaged in property development in the PRC. As at 31 December 2017, the capital was fully injected to Tianjin Huaqianli.

(iii) During the year ended 31 December 2017, the Group disposed of its 20% equity interest in Suzhou Yiya Property Management Co., Ltd. 蘇州易亞物業管理有限公司 ("Suzhou Yiya"), to an independent third party, for a cash consideration of RMB2,610,000. The Group retained 50% equity interest in Suzhou Yiya and still have control over the relevant activities of Suzhou Yiya after the partial disposal. The difference of RMB1,203,000 between the consideration received and the proportionate share of the net assets of Suzhou Yiya by the non-controlling shareholder was credited to special reserve. Suzhou Yiya is engaged in provision of property operation services in the PRC. As at 31 December 2017, the consideration was fully settled.

(iv) During the year ended 31 December 2017, an independent investor injected capital in the form of registered capital and contribution reserve amounting to RMB107,143,000 and RMB692,857,000 respectively to Guilin Wanhao Property Co., Ltd. 桂林萬豪房地產開發有限公司 ("Guilin Wanhao"), a wholly-owned subsidiary of the Company, resulting in the dilution of the Group's equity interest in Guilin Wanhao from 100% to 70%. The Group still have control over the relevant activities of Guilin Wanhao after the partial disposal. The difference between the capital injected by the independent investor and the attributable equity interest in Guilin Wanhao disposed amounted RMB415,906,000 was credited to special reserve. Guilin Wanhao is engaged in property development in the PRC. As at 31 December 2017, the capital of RMB400,000,000 was injected to Guilin Wanhao. At the date these consolidated financial statements are authorised issuance, the outstanding balance of RMB400,000,000 was injected to Guilin Wanhao.

For the year ended 31 December 2017

47. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of partial interests in subsidiaries without loss of control (continued)

For the year ended 31 December 2017 (continued)

(v) During the year ended 31 December 2017, an independent investor injected capital in the form of registered capital and contribution reserve amounting to RMB576,416,000 and RMB423,584,000 respectively to Fantasia (Chengdu) Ecological Tourism Co., Ltd. 花樣年(成都)生態旅遊開發有限公司 ("Chengdu Tourism"), a wholly-owned subsidiary of the Company, resulting in the dilution of the Group's equity interest in Chengdu Tourism from 100% to 70%. The Group still have control over the relevant activities of Chengdu Tourism after the partial disposal. The difference between the capital injected by the independent investor and the attributable equity interest in Chengdu Tourism disposed amounted to RMB144,777,000 was credited to special reserve. Chengdu Tourism is engaged in property development in the PRC. As at 31 December 2017, the capital of RMB500,000,000 was injected to Chengdu Tourism. At the date these consolidated financial statements are authorised for issuance, the outstanding balance of RMB500,000,000 was injected to Chengdu Tourism.

For the year ended 31 December 2016

During the year ended 31 December 2016, Shenzhen Home E&E Commercial Services Group Co., Ltd. 深圳市美易家商務服務集團股份有限公司 ("Home E&E"), a non-wholly owned subsidiary of the Company, issued shares to several third parties at a total cash consideration of RMB71,759,000. Upon completion of the share subscription, the shareholding of the Company was diluted from 70.00% to 69.29% and it constituted a deemed disposal of partial interests in a subsidiary without loss of control. The difference between the consideration received and the share of net assets attributable to the 0.71% equity interest in Home E&E at the date of partial disposal of interests in Home E&E amounted to RMB6,989,000 was credited to special reserve. Home E&E is engaged in property operation services in the PRC.

	2017 RMB'000	2016 RMB'000
Capital injected by non-controlling shareholders	2,400,000	–
Capital receivables due from non-controlling shareholders	900,000	–
Consideration received from the non-controlling shareholders	2,610	71,759
Less: Attributable equity interests in the aforesaid subsidiaries to non-controlling shareholders	(2,521,869)	(64,770)
Amounts recognised in special reserve	780,741	6,989

(c) Disposal of partial interests in subsidiaries resulting in loss of control

For the year ended 31 December 2017

(i) During the year ended 31 December 2017, the Group disposed of its 80% equity interest in Xuzhou Binhu Garden Property Management Co., Ltd. 徐州市濱湖花園物業管理有限公司, ("Xuzhou Binhu") to an independent third party for a cash consideration of RMB3,680,000, resulting in loss of control upon completion of the transaction. The remaining 10% equity interest in Xuzhou Binhu is classified as interests in associates. Xuzhou Binhu is engaged in provision of property operation services in the PRC.

(ii) During the year ended 31 December 2017, the Group disposed of its 55.1% of equity interest in Xi'an Rongxin Property Management Co., Ltd. 西安榮鑫物業管理有限公司 ("Xi'an Rongxin") to Ms. Cui Ronghua 崔榮華, a non-controlling shareholder of a subsidiary and an independent third party, for a cash consideration of RMB10,389,000 and RMB10,000,000 respectively, resulting in loss of control upon completion of the transaction. The remaining 4.9% equity interest in Xi'an Rongxin is classified as available-for-sale investments. Xi'an Rongxin is engaged in provision of property operation services in the PRC.

47. DISPOSAL OF SUBSIDIARIES (continued)

(c) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

For the year ended 31 December 2017 (continued)

(iii) During the year ended 31 December 2017, an independent third party contributed RMB10,000,000 to Shenzhen Yixuan Technology Co., Ltd. 深圳懿軒科技有限公司 ("Shenzhen Yixuan"). After the capital injection, the equity interests, profit sharing and voting rights held by the Group was diluted from 51% to 46% and is classified as interests in joint ventures. Shenzhen Yixuan is engaged in provision of equipment leasing service in the PRC.

(iv) During the year ended 31 December 2017, the Group disposed of its 80% of equity interest in Shenzhen Yongli Hongying Investment Co., Ltd. 深圳永利鴻盈投資有限公司 ("Shenzhen Yongli") to an independent third party, for a cash consideration of RMB600,000,000, resulting in loss of control upon completion of the transaction. The remaining 1% equity interest in Shenzhen Yongli is classified as available-for-sale investments of the Group. Shenzhen Yongli is engaged in property development in the PRC.

For the year ended 31 December 2016

(i) During the year ended 31 December 2016, Shenzhen Fantasia Real Estate Group Co., Ltd. 深圳市花樣年地產集團有限公司 ("Shenzhen Fantasia") and Shenzhen Qianhai Jianian Investment Fund Management Co., Ltd. 深圳前海嘉年投資基金管理有限公司, the wholly-owned subsidiaries of the Company, and two independent third parties entered into a partnership agreement to establish a partnership Wuhu Xinjia. The partnership is engaged in industrial investment and investment management. The 46% shareholding of the Group in the partnership is classified as interest in an associate of the Group.

Pursuant to the partnership agreement, the capital contribution by the Group are RMB771,000,000 and satisfied by the transfer of 99% equity interests Huawanli Investment (Beijing) Co., Ltd. 花萬里投資(北京)有限公司 ("Beijing Huawanli") and the cash of RMB500,000 while the capital contribution by other parties are RMB900,500,000 in cash. Upon transfer of 99% equity interests and establishment of the partnership, the Group had lost control over Beijing Huawanli and the remaining 1% equity interest in Beijing Huawanli is classified as interest in an associate since all the strategic financial and operating decisions must be approved by two to third of voting power in shareholders' meeting. Beijing Huawanli is engaged in property development in the PRC.

(ii) During the year ended 31 December 2016, the Group disposed of 95% equity interest in Suzhou Linjiayan to an independent third party for a cash consideration of RMB665,000,000, resulting in loss of control upon completion of the transaction. The remaining 5% equity interest in Suzhou Linjiayan is accounted for as available-for-sale investments upon disposal. Suzhou Linjiayan is engaged in property development in the PRC.

(iii) On 25 August 2016, Chuangshi Jianian is newly formed upon a fund investment agreement entered by Fantasia Group China, Shenzhen Colour Life, Home E&E, the subsidiaries of the Company, Wuhu Gopher Asset Management Co., Ltd. 蕪湖歌斐資產管理有限公司 ("Wuhu Gopher"), an independent third party ("Investment Agreement"). In relation to the formation of Chuangshi Jianian, Fantasia China, Shenzhen Colour Life, Home E&E and Wuhu Gopher provided capital contribution of RMB260,000,000, RMB60,000,000, RMB60,000,000 and RMB600,000,000, representing approximately 26.5%, 6.1%,6.1% and 61.3% interest in Chuangshi Jianian, respectively. After that, Chuangshi Jianian acquired 100% equity interest in Shenzhen Jianxin with cash consideration of RMB204,000,000 and provided loan of RMB776,000,000. In connection to the transaction, Shenzhen Jiaxin would cease to be a subsidiary of the Group and the Group's aggregate interest of 38.7% in Chuangshi Jianian is accounted for as interests in joint ventures.

For the year ended 31 December 2017

47. DISPOSAL OF SUBSIDIARIES (continued)

(c) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

These transactions were accounted for as disposal of partial interests in subsidiaries resulting in loss of control.

Assets and liabilities derecognised at dates of loss of control of the disposed subsidiaries are as follows:

	2017 **RMB'000**	**2016** **RMB'000**
Assets and liabilities disposed at the date of loss of control of the disposed subsidiaries are as follows:		
Property, plant and equipment	62,688	581
Investment properties	–	7,000
Goodwill	16,911	–
Prepaid lease payments	–	418,612
Premium on prepaid lease payments	–	172,344
Properties for sale	1,308,365	14,473
Trade and other receivables	124,314	74,085
Deferred tax asset	5,215	–
Amount due from a joint venture	–	985,167
Amount due from an associate	117,678	–
Amounts due to certain subsidiaries of the Company	156,868	–
Bank balances and cash	14,016	727,638
Trade and other payables	(286,239)	(267,668)
Deposits received for sale of properties	(36,108)	–
Amounts due to a joint venture	(694)	
Amounts due to certain subsidiaries of the Company	(771,931)	(407,027)
Amounts due to non-controlling shareholders	(7,474)	–
Tax liabilities	(35,779)	–
Deferred tax liabilities	–	(262)
	667,830	1,724,943

For the year ended 31 December 2017

47. DISPOSAL OF SUBSIDIARIES (continued)

(c) Disposal of partial interests in subsidiaries resulting in loss of control (continued)

	2017 RMB'000	2016 RMB'000
Gain on disposal of subsidiaries:		
Cash received during the year	615,069	932,500
Cash capital injection received	10,000	–
Consideration receivables due within one year	9,000	332,500
Total consideration and capital injection	634,069	1,265,000
Non-controlling interest	1,106	–
Reclassified as interest in an associate	–	661,680
Fair value of retained equity interests in:		
– classified as interests in associates		
Xuzhou Binhu	460	–
Beijing Huawanli	–	5,395
– classified as interests in joint ventures		
Shenzhen Yixuan (note)	44,130	–
Chuangshi Jianian	–	382,000
– classified as available-for-sale investments		
Xi'an Rongxin	1,813	–
Shenzhen Yongli	6,309	–
Suzhou Linjiayan	–	10,015
Less: Net assets disposed of	(667,830)	(1,724,943)
	20,057	599,147

Note: The fair value of retained equity interests in Shenzhen Yixuan is estimated by an independent valuer through application of income approach and the key inputs of the valuation are the expected future cash inflows/outflows of Shenzhen Yixuan, the growth rates and the discount rates.

	2017 RMB'000	2016 RMB'000
Net cash inflow arising on disposal:		
Cash consideration	625,069	932,500
Bank balances and cash disposed of	(14,016)	(727,638)
	611,053	204,862

For the year ended 31 December 2017

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Amount due to joint ventures (Note 37) RMB'000	Amount due to associates (Note 38) RMB'000	Bank and other borrowings (Note 39) RMB'000	Obligation under finance leases (Note 40) RMB'000	Senior notes and bonds (Note 41) RMB'000	Assets backed securities issued (Note 42) RMB'000	Dividend payables RMB'000	Total RMB'000
At 1 January 2017	294,157	1,061,338	3,367,466	112,148	18,379,625	275,084	–	23,489,818
Financing cash flows	(283,477)	(1,048,197)	3,815,030	(27,780)	1,824,659	(51,250)	(250,049)	3,978,936
Interest paid	–	–	(623,989)	–	(1,495,033)	(15,429)	–	(2,134,451)
Finance cost incurred during the year	–	–	623,989	4,815	1,649,157	19,332	–	2,297,293
Loss on early redemption of senior notes	–	–	–	–	116,933	–	–	116,933
Inception of finance leases (non-cash)	–	–	–	221,809	–	–	–	221,809
Foreign exchange	–	–	(90,481)	–	(670,399)	–	–	(760,880)
Acquisition of subsidiaries (note 46)	14	372	2,781,630	–	–	–	–	2,782,016
Disposal of subsidiaries (note 47)	(694)	–	(10,000)	–	–	–	–	(10,694)
Dividend to shareholders of the Company	–	–	–	–	–	–	250,049	250,049
At 31 December 2017	10,000	13,513	9,863,645	310,992	19,804,942	227,737	–	30,230,829

49. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt, which includes amounts due to joint ventures as disclosed in note 37, amounts due to associates as disclosed in note 38, borrowings as disclosed in note 39, obligations under finance leases as disclosed in note 40, senior notes and bonds as disclosed in note 41, assets backed securities issued as disclosed in note 42, net of the cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of bank and other borrowings to ensure compliance with financial covenants.

The directors of the Company review the capital structure periodically. As a part of this review, the corporate finance department reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding and considers the cost of capital and the risks associated with each class of capital, the Group does not have any target gearing ratio.

The directors of the Company then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

For the year ended 31 December 2017

50. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	21,759,577	16,238,147
Financial assets at FVTPL	234,460	127,275
Available-for-sale investments	117,663	30,215
Financial liabilities		
Financial liabilities measured at amortised cost	37,439,879	26,909,286

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from non-controlling shareholders of the subsidiaries of the Company, joint ventures, associates and related parties, financial assets at FVTPL, restricted/pledged bank deposits, bank balances and cash, available-for-sale investments, trade and other payables, amounts due to a non-controlling shareholder of the Company, joint ventures and associates, borrowings, obligations under finance leases, senior notes and bonds and assets backed securities issued. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

For the year ended 31 December 2017

50. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

The Group mainly has bank balances, borrowings, obligations under finance leases and senior notes which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective reporting periods are as follow:

	2017 RMB'000	2016 RMB'000
Assets		
USD	3,107,330	1,322,541
SGD	670,885	265,973
JPY	33,170	1,376
HKD	22,387	859,455
TWD	1,146	30,646
MOP	2,617	1,962
Liabilities		
USD	11,890,881	10,513,711
SGD	210,757	–
HKD	21,633	–
JPY	–	50,142

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in USD, SGD, JPY, HKD, TWD and MOP against RMB.

The following table details the Group's sensitivity to a 10% (2016: 10%) increase and decrease in the RMB against the relevant foreign currencies. 10% (2016: 10%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% (2016: 10%) change in foreign currency rates. The sensitivity analysis includes bank balances, borrowings, obligations under finance leases and senior notes. A positive number indicates an increase in profit for the year where the RMB strengthens 10% (2016: 10%) against the relevant currencies. For a 10% (2016: 10%) weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be negative.

For the year ended 31 December 2017

50. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) *Currency risk* (continued)

Foreign currency sensitivity analysis

	2017 RMB'000	2016 RMB'000
USD		
Increase in profit for the year	798,505	835,561
HKD		
Decrease in profit for the year	(69)	(78,132)
SGD		
Decrease in profit for the year	(41,830)	(24,179)
JPY		
(Decrease) increase in profit for the year	(3,015)	4,433
TWD		
Decrease in profit for the year	(104)	(2,786)
MOP		
Decrease in profit for the year	(238)	(178)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate borrowings.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate loan receivables included in trade and other receivables, borrowings, obligations under finance leases, senior notes and bonds and assets backed securities issued.

The Group currently does not use any derivative contracts to hedge its loans to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the LIBOR arising from the Group's USD borrowings, the Hong Kong Interbank Offered Rate arising from the Group's HK borrowings, the SIBOR arising from the Group's SGD borrowings, Benchmark Lending Rate, Benchmark Deposit Rate and Benchmark Rate from the Group's RMB borrowings.

For the year ended 31 December 2017

50. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

Bank balances and restricted/pledged bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank balances and restricted/pledged bank deposits at the end of the reporting period. A 25% basis points (2016: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25% basis points (2016: 25 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would have increased/decreased by RMB30,828,000 (2016: increase/decrease by RMB19,274,000).

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate borrowings at the end of the reporting period. A 50% basis points (2016: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50% basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would have decreased/increased by RMB13,604,000 (2016: decrease/increase by RMB7,029,000), net of interest that would be capitalised in accordance with the Group's accounting policy.

Credit risk

As at 31 December 2017, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the amount of contingent liabilities in relation to financial guarantee provided by the Group is disclosed in note 55.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade receivables and loan receivables to third parties, with exposure spread over a number of counterparties and customers.

For the year ended 31 December 2017

50. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

As at 31 December 2017, the Group has concentration of credit risk on amounts due from non-controlling shareholder of the subsidiaries of the Company, joint ventures, associates and related parties. These balances are paid to counterparties which are all engaged in PRC property development business and property operation service, and are companies with high credit rating, the directors of the Company consider that the credit risk is limited.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC, Singapore and Japan.

For properties under development which are subject to pre-sales agreements, the Group generally typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to forfeit the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on amounts due to a non-controlling shareholder of the Company, joint ventures and associates, borrowings, obligations under finance leases, senior notes and bonds and assets backed securities issued as a significant source of liquidity.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

For the year ended 31 December 2017

50. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity table

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1 – 3 months RMB'000	3 months to 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2017								
Trade and other payables	–	2,062,924	1,570,377	2,336,406	1,239,343	–	7,209,050	7,209,050
Amounts due to joint ventures	–	10,000	–	–	–	–	10,000	10,000
Amounts due to associates	–	13,513	–	–	–	–	13,513	13,513
Borrowings								
– fixed rate	8.35	188,498	374,675	1,730,629	4,881,087	64,191	7,239,080	6,235,899
– variable rate	5.20	115,667	230,963	1,027,104	2,786,231	91,088	4,251,053	3,627,746
Obligations under finance leases	4.45	5,393	10,786	48,535	208,486	86,162	359,362	310,992
Senior notes and bonds	9.08	152,214	304,425	5,683,733	26,179,137	–	32,319,509	19,804,942
Assets backed securities issued	7.23	–	17,224	51,892	196,943	–	266,059	227,737
Financial guarantee contracts	–	7,296,670	–	–	–	–	7,296,670	–
		9,844,879	2,508,450	10,878,299	35,491,227	241,441	58,964,296	37,439,879
At 31 December 2016								
Trade and other payables	–	951,280	661,938	978,804	517,008	–	3,109,030	3,109,030
Amount due to a non-controlling shareholder of the Company	10.58	313,175	–	–	–	–	313,175	310,438
Amounts due to joint ventures	–	294,157	–	–	–	–	294,157	294,157
Amounts due to associates	–	1,061,338	–	–	–	–	1,061,338	1,061,338
Borrowings								
– fixed rate	7.89	28,361	56,550	250,309	1,318,554	51,091	1,704,865	1,517,601
– variable rate	5.35	67,644	135,249	599,905	1,213,901	100,960	2,117,659	1,849,865
Obligations under finance leases	4.22	2,315	4,630	20,835	95,528	–	123,308	112,148
Senior notes and bonds	9.63	212,336	424,673	3,585,663	28,365,057	–	32,587,729	18,379,625
Assets backed securities issued	5.61	–	16,568	50,111	266,059	–	332,738	275,084
Financial guarantee contracts	–	6,258,249	–	–	–	–	6,258,249	–
		9,188,855	1,299,608	5,485,627	31,776,107	152,051	47,902,248	26,909,286

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

50. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	**Fair value as at**		**Fair value hierarchy**
	31 December 2017 RMB'000	**31 December 2016 RMB'000**	
Financial assets at FVTPL	234,460	127,275	Level 2

Fair value of the Group's other financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Fair value hierarchy	**2017 Carrying amount RMB'000**	**2017 Fair value RMB'000**	**2016 Carrying amount RMB'000**	**2016 Fair value RMB'000**
Senior notes	Level 1	13,087,522	13,327,690	11,841,852	12,430,527
Listed corporate bonds	Level 1	3,117,014	3,094,535	3,110,162	3,209,098
Unlisted corporate bonds	Level 3	3,600,406	3,640,712	3,427,611	3,538,016
Assets backed securities issued	Level 3	227,737	235,251	275,084	289,245

The management of the Group estimates the fair value of other financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

For the year ended 31 December 2017

51. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	43,221	47,023
In the second to the fifth year inclusive	169,698	170,721
After five years	375,614	418,821
	588,533	636,565

Operating lease payments represented rentals payable by the Group for certain offices premises and commercial properties. Leases are negotiated and rentals are fixed for terms of one to fifteen years.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2017 RMB'000	2016 RMB'000
Within one year	234,192	184,283
In the second to the fifth year inclusive	650,187	487,261
After the fifth year	220,493	165,241
	1,104,872	836,785

Property rental income represented rentals receivable by the Group. Leases are negotiated for an average term of one to twenty years with fixed rentals.

For the year ended 31 December 2017

52. CAPITAL AND OTHER COMMITMENTS

	2017 RMB'000	2016 RMB'000
Construction commitments in respect of properties for sale contracted for but not provided in the consolidated financial statements	2,417,987	1,421,711
Construction commitments in respect of investment properties contracted for but not provided in the consolidated financial statements	254,390	182,699
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	870,720	18,142
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	23,066	21,325

53. SHARE OPTION SCHEMES

(a) The Company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of the Company and its subsidiaries ("Eligible Employees"). Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HKD1 per option to the Eligible Employees to subscribe for shares in the Company ("Shares").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme ("Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Scheme.

For the year ended 31 December 2017

53. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

During the year ended 31 December 2017 and 2016, no share option was lapsed.

As at 31 December 2017, the total number of shares to be issued upon the exercise of all options granted under the Scheme is 85,101,000 (2016: 85,326,000) of HKD0.1 each, representing approximately 1.5% (2016: 1.5%) of the issued share capital of the Company.

Details of the share options granted under the Scheme is as follows:

Category of Grantees	**Date of grant**	**Exercise price per share HKD**	**Vesting period**	**Exercisable period**
Directors	29 August 2011	0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022
Employees	29 August 2011	0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022

For the year ended 31 December 2017

53. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

The following table discloses movements of the Company's share options held by employees and directors during the years ended 31 December 2017 and 2016:

Category of Grantees	Date of grant	Vesting period	Outstanding at 1 January 2016	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2016	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2017
Directors	29 August 2011	29/8/2011 – 28/8/2012	1,158,000	–	–	–	1,158,000	–	–	–	1,158,000
		29/8/2011 – 28/8/2013	2,617,000	–	–	–	2,617,000	–	–	–	2,617,000
		29/8/2011 – 28/8/2014	7,805,000	–	–	–	7,805,000	–	–	–	7,805,000
	16 October 2012	16/10/2012 – 15/10/2013	1,435,000	–	–	–	1,435,000	–	–	–	1,435,000
		16/10/2012 – 15/10/2014	3,067,000	–	–	–	3,067,000	–	–	–	3,067,000
		16/10/2012 – 15/10/2015	9,848,000	–	–	–	9,848,000	–	–	–	9,848,000
			25,930,000	–	–	–	25,930,000	–	–	–	25,930,000
Employees	29 August 2011	29/8/2011 – 28/8/2012	2,908,000	–	–	(47,000)	2,861,000	–	–	(21,000)	2,840,000
		29/8/2011 – 28/8/2013	5,515,000	–	–	(94,000)	5,421,000	–	–	(43,000)	5,378,000
		29/8/2011 – 28/8/2014	20,658,000	–	–	(328,000)	20,330,000	–	–	(150,000)	20,180,000
	16 October 2012	16/10/2012 – 15/10/2013	3,093,000	–	–	(15,000)	3,078,000	–	–	(1,000)	3,077,000
		16/10/2012 – 15/10/2014	5,990,000	–	–	(30,000)	5,960,000	–	–	(2,000)	5,958,000
		16/10/2012 – 15/10/2015	21,850,000	–	–	(104,000)	21,746,000	–	–	(8,000)	21,738,000
			60,014,000	–	–	(618,000)	59,396,000	–	–	(225,000)	59,171,000
Total			85,944,000	–	–	(618,000)	85,326,000	–	–	(225,000)	85,101,000
Exercisable at the end of the year			85,944,000				85,326,000				85,101,000
Weighted average exercise price at the date of exercise (HKD)							0.83				0.83

For the year ended 31 December 2017

53. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

The closing price of the shares on the date of grant was HKD0.77 at 16 October 2012. Binomial Option Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	16 October 2012	**29 August 2011**
Market price	HKD0.77	HKD0.820
Exercise price	HKD0.80	HKD0.836
Expected volatility	44.87%	40.43%
Risk-free rate	0.66%	1.74%
Expected dividend yield	5.12%	4.878%

The Group did not recognise any expense for the years ended 31 December 2017 and 2016 in relation to share options granted by the Company.

(b) Colour Life

A non-wholly owned subsidiary of the Company, Colour Life, operates a share option scheme (the "Colour Life's Scheme"). The Colour Life's Scheme was adopted pursuant to a resolution passed on 11 June 2014 for the primary purposes of providing incentives to certain directors and employees of the Colour Life and its subsidiaries and non-controlling shareholders of certain subsidiaries of Colour Life ("Eligible Persons"). Under the Colour Life's Scheme, the Board of Directors of Colour Life is authorised to grant options at a consideration of HKD1 per option respectively to the Eligible Persons to subscribe for shares of Colour Life ("Colour Life's Shares").

The maximum number of Colour Life's Shares which may be issued upon exercise of all options to be granted under the Colour Life's Scheme ("Colour Life's Options") and any other share option schemes of Colour Life shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Colour Life in issue at any point in time. Colour Life's Options granted to a substantial shareholder or an independent non- executive director in excess of 0.1% of Colour Life's share capital or with a value in excess of HKD5 million must be approved in advance by Colour Life's shareholders.

The exercisable period of an option is determined by the directors of Colour Life at their discretion. The expiry date of Colour Life's Options may be determined by the Board of Directors of the Colour Life which shall not be later than the expiry day of Colour Life's Scheme.

The exercise price is determined by the directors of Colour Life, and will not be less than the greater of: (i) the closing price of Colour Life on the offer date; (ii) the average of the closing price of Colour Life's shares for the five trading days immediately preceding the offer of Colour Life's options and (iii) the nominal value per share of Colour Life.

For the year ended 31 December 2017

53. SHARE OPTION SCHEMES (continued)

(b) Colour Life (continued)

As at 31 December 2017, the total number of Colour Life's shares to be issued upon the exercise of all options granted under the Colour Life's Scheme is 80,678,000 (2016: 90,711,000) of HKD0.1 each, representing approximately 8.1% (2016: 9.1%) of the issued share capital of Colour Life.

Details of the share options granted under Colour Life's Scheme is as follows:

Category of Grantees	Date of grant	Exercise price per share HKD	Vesting period	Exercisable period
Directors	29 September 2014	6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	11.00	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	11.00	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026

For the year ended 31 December 2017

53. SHARE OPTION SCHEMES (continued)

(b) Colour Life (continued)

The following table of the Company discloses movements of Colour Life's share options held by Eligible Persons during the year ended 31 December 2017 and 2016:

Category of Grantees	Date of grant	Vesting period	Outstanding at 1 January 2016	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2016	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2017
Directors	29 September 2014	N/A	560,000	–	(40,000)	–	520,000	–	–	–	520,000
		29/9/2014 – 28/9/2015	1,270,000	–	(206,000)	–	1,064,000	–	–	–	1,064,000
		29/9/2014 – 28/9/2016	1,270,000	–	(206,000)	–	1,064,000	–	–	–	1,064,000
		29/9/2014 – 28/9/2017	711,000	–	(163,000)	–	548,000	–	–	–	548,000
	30 April 2015	30/4/2015 – 29/4/2016	477,000	–	(41,000)	–	436,000	–	–	–	436,000
		30/4/2015 – 29/4/2017	477,000	–	(42,000)	–	435,000	–	–	–	435,000
		30/4/2015 – 29/4/2018	476,000	–	(41,000)	–	435,000	–	–	–	435,000
	18 March 2016	18/3/2016 – 17/3/2017	–	487,000	(60,000)	–	427,000	–	–	–	427,000
		18/3/2016 – 17/3/2018	–	487,000	(61,000)	–	426,000	–	–	–	426,000
		18/3/2016 – 17/3/2019	–	486,000	(60,000)	–	426,000	–	–	–	426,000
			5,241,000	1,460,000	(920,000)	–	5,781,000	–	–	–	5,781,000
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	5,680,000	–	(145,000)	–	5,535,000	–	(189,000)	–	5,346,000
		29/9/2014 – 28/9/2015	12,660,000	–	(1,037,000)	–	11,623,000	–	(545,000)	–	11,078,000
		29/9/2014 – 28/9/2016	12,660,000	–	(1,037,000)	–	11,623,000	–	(545,000)	–	11,078,000
		29/9/2014 – 28/9/2017	6,859,000	–	(891,000)	–	5,968,000	–	(357,000)	–	5,611,000
	30 April 2015	30/4/2015 – 29/4/2016	7,795,000	–	(1,551,000)	–	6,244,000	–	(511,000)	–	5,733,000
		30/4/2015 – 29/4/2017	7,795,000	–	(1,552,000)	–	6,243,000	–	(511,000)	–	5,732,000
		30/4/2015 – 29/4/2018	7,794,000	–	(1,551,000)	–	6,243,000	–	(511,000)	–	5,732,000
	18 March 2016	18/3/2016 – 17/3/2017	–	10,929,000	(445,000)	–	10,484,000	–	(2,288,000)	–	8,196,000
		18/3/2016 – 17/3/2018	–	10,929,000	(445,000)	–	10,484,000	–	(2,288,000)	–	8,196,000
		18/3/2016 – 17/3/2019	–	10,929,000	(446,000)	–	10,483,000	–	(2,288,000)	–	8,195,000
			61,243,000	32,787,000	(9,100,000)	–	84,930,000	–	(10,033,000)	–	74,897,000
Total			66,484,000	34,247,000	(10,020,000)	–	90,711,000	–	(10,033,000)	–	80,678,000
Exercisable at the end of the year							38,109,000				57,268,000
Weighted average exercise price at the date of exercise (HKD)							–				–

For the year ended 31 December 2017

53. SHARE OPTION SCHEMES (continued)

(b) Colour Life (continued)

The closing price of Colour Life's shares on the date of grant was HKD5.76 on 18 March 2016, HKD6.66 on 29 September 2014 and HKD10.88 on 30 April 2015, respectively. Binomial Option Pricing Model had been used to estimate the fair value of Colour Life's options. The variables and assumptions used in computing the fair value of the share options are based on Colour Life's best estimate. The value of Colour Life's option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	18 March 2016	**30 April 2015**	**29 September 2014**
Market price	HKD5.76	HKD10.88	HKD6.66
Exercise price	HKD5.76	HKD11.00	HKD6.66
Expected volatility	46.20%	46.26%	48.82%
Risk-free rate	1.27%	1.63%	2.01%
Expected dividend yield	1.55%	0.83%	0.00%

Colour Life recognised the total expense of RMB45,303,000 (2016: RMB79,041,000) in share option reserve of Colour life included in non-controlling interests for the year ended 31 December 2017 in relation to share options granted by Colour Life.

(c) Morning Star

Morning Star, a wholly-owned subsidiary of the Company, operates a share option scheme (the "Morning Star's Scheme"). The Morning Star's Scheme was adopted pursuant to a resolution passed on 24 December 2015 for the primary purposes of providing incentives to certain directors and employees of the Morning Star and its subsidiaries ("Eligible Employees"). According to the Morning Star's Scheme, the Board of Directors of Morning Star is authorised to grant options at a consideration of HKD1 per option respectively to the Eligible Employees to subscribe for shares of Morning Star ("Morning Star's Shares").

The exercisable period of an option is determined by the directors of Morning Star at their discretion. The expiry date of Morning Star's Options may be determined by the Board of Directors of the Morning Star which shall not be later than the expiry day of Morning Star's Scheme.

As at 31 December 2017, the total number of Morning Star's shares to be issued upon the exercise of all options granted under the Morning Star's Scheme is 5,000,000 (2016: 7,000,000) of HKD1 each, representing approximately 5% (2016: 7%) of the issued share capital of Morning Star.

For the year ended 31 December 2017

53. SHARE OPTION SCHEMES (continued)

(c) Morning Star (continued)

Details of the share options granted under Morning Star's Scheme is as follows:

Category of Grantees	Date of grant	Granted	Vesting period	Exercisable period	Vesting condition
Employees	24 December 2015	2,000,000	25/12/2015 – 30/3/2017	1/4/2017 – 30/4/2017	The net profit of Morning Star for year ending 31 December 2016 meets RMB10,000,000
		3,000,000	25/12/2015 – 30/3/2018	1/4/2018 – 30/4/2018	The net profit of Morning Star for year ending 31 December 2017 meets RMB20,000,000
		2,000,000	25/12/2015 – 30/3/2019	1/4/2019 – 30/4/2019	The net profit of Morning Star for year ending 31 December 2018 meets RMB40,000,000

The following table of the Company discloses movements of Morning Star's share options held by Eligible Employees during the year ended 31 December 2017 and 2016:

Category of Grantees	Date of grant	Vesting period	Outstanding at 1 January 2016	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2016	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2017
Employees	24 December 2015	25/12/2015 – 30/3/2017	2,000,000	–	–	–	2,000,000	–	(2,000,000)	–	–
		25/12/2015 – 30/3/2018	3,000,000	–	–	–	3,000,000	–	–	–	3,000,000
		25/12/2015 – 30/3/2019	2,000,000	–	–	–	2,000,000	–	–	–	2,000,000
Total			7,000,000	–	–	–	7,000,000	–	(2,000,000)	–	5,000,000
Exercisable at the end of the year							–				–
Weighted average exercise price at the date of exercise (HKD)							–				–

For the year ended 31 December 2017

53. SHARE OPTION SCHEMES (continued)

(c) Morning Star (continued)

Binomial Option Pricing Model had been used to estimate the fair value of these share -based payment transactions with cash alternative arrangements. The estimated fair value of the share options of Morning Star is RMB5,743,000 which represented the goods or services received from the Eligible Employees. The variables and assumptions used in computing the fair value of the share options are based on the management of the Company's best estimate. The expected volatility is based on the historical annualised daily volatilities of comparable companies as if the same sector. Risk-free rate is based on the yield of HK Hong Kong Exchange Fund Notes as of valuation date as quoted from Bloomberg. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	24 December 2015
Share price	HKD1.85
Exercise price	HKD1.00
Expected volatility	45.5% – 54.6%
Risk-free rate	0.25% – 0.84%
Expected dividend yield	0.0%

Morning Star recognised the total expense of RMB1,913,000 (2016: RMB2,914,000) in share option reserve of Morning Star included in non-controlling interests for the year ended 31 December 2017 in relation to share options granted by Morning Star.

54. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the Mandatory Provident Fund Scheme, which contribution is matched by employees.

The employees of the Group in the PRC are members of state – managed retirement benefit scheme operated by the PRC Government. The Company's subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of RMB148,927,000 (2016: RMB130,307,000) respectively, represented contributions from the continuing operation payable to the scheme.

For the year ended 31 December 2017

55. CONTINGENT LIABILITIES

(a)

	2017 RMB'000	2016 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	7,296,670	6,258,249

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate.

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

(b)

	2017 RMB'000	2016 RMB'000
Financial guarantees given to a bank for the banking facilities granted to a joint venture	–	536,810

The Group had provided guarantees in respect of banking facilities granted by a bank to a joint venture. In the opinion of the directors, the fair value of guarantee contract is insignificant at initial recognition and 31 December 2016. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low. As at 31 December 2017, the financial guarantees granted were released.

For the year ended 31 December 2017

56. RELATED PARTY DISCLOSURES

During the year, in addition to those disclosed in elsewhere at the consolidated financial statements, the Group had following significant transactions with related parties:

(a) Related party transactions

Related parties	Relationship	Transactions	2017 RMB'000	2016 RMB'000
Wanxiangmei	A subsidiary of Shenzhen Wanxiang, a previous joint venture of the Group and acquired by the Group on 29 December 2017 (note 46(b))	Consultancy service fee income	92,933	31,475
Shenzhen Wanxiang	A previous joint venture of the Group and acquired by the Group on 29 December 2017 (note 46(b))	Management fee income	7,920	3,960
Shenzhen Cube Architecture Designing Consultants Co., Ltd. (深圳市立方建築設顧問有限公司) ("Shenzhen Cube")	An associate of Shenzhen Tiankuo Investment Development Co., Ltd. (深圳市天闊投資發展有限公司) ("Shenzhen Tiankuo"), a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company	Design service fee expense	1,814	–
Shenzhen Cube	An associate of Shenzhen Tiankuo, a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company	Rental income	964	–
Shenzhen Colour Pay	A related company controlled Mr. Pan Jun, a director and the chief executive officer of the Company	Commission income	1,424	–

For the year ended 31 December 2017

56. RELATED PARTY DISCLOSURES (continued)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2017 RMB'000	2016 RMB'000
Short-term benefits	91,189	81,278
Post-employment benefits	21,637	14,649
	112,826	95,927

(c) Others

(i) As at 31 December 2017, certain directors of the Company provided joint guarantees to the banks and trust company to secure the Group's bank and other borrowings amounting to RMB944,000,000 (2016: RMB492,983,000) in aggregate.

(ii) During the year ended 31 December 2017, the Group had sold certain properties to its key management personnel (not including the directors of the Company) of the Group, at a cash consideration of RMB45,947,000 (2016: RMB11,667,000).

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Material subsidiaries of the Company

Particulars of principal subsidiaries indirectly held, unless otherwise stated, by the Company as at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2017	2016	Principal activities	Legal form
Colour Life Services Group Co., Ltd. ("Colour Life")[Δ]	The Cayman Islands 16 March 2011	84,313	50.39%	50.39%	Investment holding	Limited liability company
Fantasia Group China*	The PRC 20 January 2006	1,624,844	100%	100%	Investment holding and property Development	Limited liability company
Shenzhen Colour Life*#	The PRC 25 August 2006	100,000	50.39%	50.39%	Provision of property operation services	Limited liability company
Shenzhen Fantasia*	The PRC 28 September 1996	150,000	100%	100%	Investment holding, property development and investment	Limited liability company
成都市花樣年房地產開發有限公司 Chengdu Fantasia Real Estate Co., Ltd.*	The PRC 18 October 2001	75,610	100%	100%	Property development and investment	Limited liability company

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2017	2016	Principal activities	Legal form
深圳市花千里房地產開發有限公司 Shenzhen Huaqianli Real Estate Investment Development Co., Ltd.*	The PRC 28 August 2006	660,339	100%	100%	Investment holding	Limited liability company
成都花萬裏置業有限公司 Chengdu Huawanli Real Estate Co., Ltd.*	The PRC 25 October 2005	100,000	100%	100%	Property development and investment	Limited liability company
成都花千里置業有限公司 Chengdu Huaqianli Real Estate Co., Ltd.*	The PRC 6 November 2006	704,680	100%	100%	Property development	Limited liability company
成都花百里置業有限公司 Chengdu Huabaili Real Estate Co., Ltd.*	The PRC 22 May 2003	270,000	100%	100%	Property development	Limited liability company
深圳市康年科技有限公司 Shenzhen Kangnian Technology Co., Ltd.*	The PRC 9 February 2007	100,000	100%	100%	Property development and investment	Limited liability company
成都花樣年望叢文化發展有限公司 Chengdu Fantasia Wangcong Culture Development Co., Ltd.*	The PRC 6 August 2008	300,000	100%	100%	Property development	Limited liability company
成都九蓉房地產開發有限公司 Chengdu Jiurong Real Estate Co., Ltd.*	The PRC 22 August 2007	320,000	100%	100%	Property development	Limited liability company
深圳市花樣年房地產開發有限公司 Shenzhen Fantasia Real Estate Co., Ltd.*	The PRC 20 April 2006	320,000	100%	100%	Property development	Limited liability company
惠州市惠陽區花千里實業有限公司 Huizhou Huiyang Huaqianli Industry Co., Ltd.*	The PRC 14 August 2012	100,000	100%	100%	Property development	Limited liability company

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2017	2016	Principal activities	Legal form
蘇州花萬裡房地產開發有限公司 Suzhou Huawanli Real Estate Co., Ltd.*	The PRC 9 September 2009	180,000	100%	100%	Property development	Limited liability company
東莞花千里房地產開發有限公司 Dongguan Huaqianli Property Development Co., Ltd.*	The PRC 30 April 2012	30,000	100%	100%	Property development	Limited liability company
成都市諾亞舟實業有限公司 Chengdu Nuoyazhou Development Co., Ltd.*	The PRC 17 June 2008	300,000	100%	100%	Property development	Limited liability company
桂林聚豪房地產開發有限公司 Guilin Juhao Property Development Co., Ltd.*	The PRC 14 November 2007	250,000	100%	100%	Property development	Limited liability company
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd.*#	The PRC 11 December 2000	35,000	50.39%	50.39%	Provision of property operation services	Limited liability company
深圳置富房地產開發有限公司 Shenzhen Zhifu Real Estate Investment Development Co., Ltd.*	The PRC 1 July 1994	946,844	100%	100%	Property development and investment	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Services Co., Ltd.*#	The PRC 12 June 2007	90,000	50.39%	50.39%	Provision of property operation services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Science & Technology Co., Ltd.*#	The PRC 15 November 2001	5,000	50.39%	50.39%	Provision of engineering services	Limited liability company

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2017	2016	Principal activities	Legal form
成都望叢房地產開發有限公司 Chengdu Wangcong Property Development Co., Ltd.*	The PRC 28 June 2014	394,400	100%	100%	Property development	Limited liability company
蘇州銀莊置地有限公司 Suzhou Yinzhuang Real Estate Co., Ltd.*	The PRC 25 January 2006	500,000	100%	100%	Property development	Limited liability company
惠州TCL房地產開發有限公司 Huizhou TCL Property Development Co., Ltd.*	The PRC 29 December 2004	100,000	100%	100%	Property development	Limited liability company
成都花樣年置富房地產開發有限公司 Chengdu Fantasia Zhifu Property Development Co., Ltd.*	The PRC 13 March 2014	500,000	100%	100%	Property development	Limited liability company
寧波世紀華豐房產有限公司 Ningbo Century Huafeng Property Co., Ltd.*	The PRC 25 March 2010	427,500	100%	100%	Property development	Limited liability company
深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan International Property Management Co., Ltd.*#	The PRC 19 October 2000	330,000	50.39%	50.39%	Provision of property operation services	Limited liability company
深圳市越華創新科技工業城有限公司 Shenzhen Yuehua Innovation Technology Industry City Co., Ltd.*	The PRC 15 September 2004	62,500	51%	51%	Property development	Limited liability company
武漢TCL置地投資有限公司 WuhanTCL Real Estate Investment Co., Ltd.*	The PRC 06 May 2011	30,000	100%	100%	Property development	Limited liability company

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2017	2016	Principal activities	Legal form
重慶泓山物業管理有限公司 Chongqing Hongshan Property Management Co., Ltd.*#	The PRC 09 September 2003	10,000	50.39%	48.83%	Provision of property operation services	Limited liability company
深圳安博電子有限公司 Shenzhen Anbo Electronic Co., Ltd.*	The PRC 17 August 1994	87,000	51%	51%	Provision of property operation services	Limited liability company
ASIMCO Tianwei*	The PRC 3 December 1994	639,120	59.84%	59.84%	Manufacturing and sale of fuel pumps	Limited liability company
武漢TCL康城房地產開發有限公司 Wuhan TCL Kangcheng Property Development Co., Ltd.*	The PRC 12 September 2012	10,000	100%	100%	Property development	Limited liability company
成都新達遠房地產開發有限公司 Chengdu Xindayuan Property Development Co., Ltd.*	The PRC 25 April 2013	10,000	100%	100%	Property development	Limited liability company
Sichuan Hanfeng*	The PRC 23 July 2008	594,750	55%	91%	Property development	Limited liability company
Tianjin Huaqianli*	The PRC 22 December 2010	941,667	60%	100%	Property development	Limited liability company
Guilin Wanhao*	The PRC 14 November 2007	250,000	70%	100%	Property development	Limited liability company
Chengdu Tourism*	The PRC 7 September 2006	1,344,970	70%	100%	Property development	Limited liability company
Nanjing Zhongchu*^	The PRC 10 January 2013	240,000	70%	–	Property development	Limited liability company
Jiangxi Yinsheng*^	The PRC 11 July 2006	10,000	100%	–	Property development	Limited liability company

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(a) Material subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Proportion effective interest held by the Group 2017	2016	Principal activities	Legal form
Wuhan Jialun*^	The PRC 22 November 2004	50,500	67%	–	Property development	Limited liability company
Taicang Qihao*^	The PRC 14 February 2007	150,000	100%	–	Property development	Limited liability company
Chengdu Qianyin*^	The PRC 09 June 2010	60,000	100%	–	Property development	Limited liability company
Wuhan Zhongsenhua*^	The PRC 14 June 2011	100,000	100%	–	Property development	Limited liability company
Huizhou Guangliang*^	The PRC 22 June 2007	10,000	100%	–	Property development	Limited liability company
Sichuan Genxing*^	The PRC 08 May 2012	1,000	100%	–	Property development	Limited liability company
Shenzhen Wanxiang*^	The PRC 11 April 2011	1,982,000	100%	–	Investment management	Limited partnership company
Wanxiangmei*^	The PRC 8 May 2015	50,000	100%	–	Property operation service	Limited partnership company
Shanghai Tonglai*#^	The PRC 9 November 2009	5,000	50.39%	–	Property operation service	Limited partnership company

* The English name is for identification purpose only.

These subsidiaries were held by a non-wholly owned subsidiary of the Company namely Colour Life as at 31 December 2017 and 2016.

^ These subsidiaries were acquired during the year ended 31 December 2017. Details are set out in note 46(a) and (b).

Δ Except for the subsidiary directly held by the Company, all other subsidiaries are indirectly owned by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results, assets or debt securities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for Fantasia Group China and Shenzhen Colour Life, none of the subsidiaries had issued debt securities at the end of the year.

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(b) Composition of the Group

Information about the subsidiaries of the Company that are not material to the Group at the end of each reporting period is as follow:

Principal activities	**Principal place of business**	**Number of subsidiaries**	
		2017	**2016**
Investment holding	BVI	20	20
	Hong Kong	19	19
	PRC	18	18
	USA	3	3
	Singapore	1	1
	Cayman	1	1
Property development	PRC	144	94
Property investment	PRC	1	1
	Japan	1	1
	USA	1	–
	Singapore	1	–
Property agency services	PRC	1	1
Property operation services	PRC	121	120
Hotel operations	PRC	5	5
	USA	1	1
Other operations	Hong Kong	4	4
	PRC	4	4
	Macao	1	1
		347	294

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company as at 31 December 2017 and 2016 that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Ownership interests and rights held by non-controlling interests		Profit (loss) attributable to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
				RMB'000	RMB'000	RMB'000	RMB'000
Colour Life	The PRC	49.61%	49.61%	189,070	121,386	959,897	797,321
Chengdu Tourism	The PRC	30%	N/A	–	–	855,223	–
Sichuan Hanfeng	The PRC	45%	9%	16,977	(40)	748,483	32,008
Guilin Wanhao	The PRC	30%	N/A	–	–	384,094	–
				206,047	121,346	2,947,697	829,329
Individually immaterial subsidiaries with non-controlling interests				49,348	99,716	1,866,104	1,135,958
				255,395	221,062	4,813,801	1,965,287

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of Company's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represented amounts before intra group eliminations.

	Colour Life		Sichuan Hanfeng	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current assets	2,891,913	2,452,687	3,444,248	2,312,077
Non-current assets	1,768,737	1,569,921	967,284	945,061
Current liabilities	(1,759,522)	(1,281,957)	(1,560,789)	(1,342,737)
Non-current liabilities	(1,074,120)	(1,208,179)	–	(147,146)
Equity attributable to owners of the Company	867,111	735,151	1,995,520	1,767,255
Non-controlling interests	959,897	797,321	855,223	–
Revenue	1,628,698	1,342,069	365,950	82,772
Expenses	(1,278,049)	(1,126,058)	(325,026)	(83,579)
Profit (loss) for the year	350,649	216,011	40,924	(807)
Profit (loss) attributable to the owners of the Company	161,579	94,625	40,924	(807)
Profit attributable to the non-controlling interests	189,070	121,386	–	–
Net cash inflow (outflow) from operating activities	139,850	260,548	149,044	47,605
Net cash inflow (outflow) from investing activities	2,731	(553,450)	(815)	(29,939)
Net cash (outflow) inflow from financing activities	(40,738)	628,261	(97,578)	(10,869)
Net cash inflow (outflow)	101,843	335,359	50,651	6,797

For the year ended 31 December 2017

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	Sichuan Hanfeng		Guilin Wanhao	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	3,270,738	46,045	2,005,805	800,482
Non-current assets	375,444	360,641	100,003	130,330
Current liabilities	(957,731)	(51,043)	(743,656)	(335,570)
Non-current liabilities	(1,025,156)	–	(81,839)	(93,988)
Equity attributable to owners of the Company	914,812	323,635	896,219	501,254
Non-controlling interests	748,483	32,008	384,094	–
Revenue	–	–	113,310	206,810
Change in fair value of investment properties	220,623	–	–	–
Expenses	(96,264)	(443)	(78,442)	(152,214)
Profit (loss) for the year	124,359	(443)	34,868	54,596
Profit (loss) attributable to the owners of the Company	107,382	(403)	34,868	54,596
Profit (loss) attributable to the non-controlling interests	16,977	(40)	–	–
Net cash (outflow) inflow from operating activities	(125,106)	–	30,114	61,728
Net cash outflow from investing activities	(330)	–	(1,064)	(20)
Net cash inflow (outflow) from financing activities	392,545	621	(77,200)	–
Net cash inflow (outflow)	267,109	621	(48,150)	61,708

For the year ended 31 December 2017

58. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	3,210,991	2,744,791
Amounts due from subsidiaries	9,814,746	8,165,950
	13,025,737	10,910,741
CURRENT ASSETS		
Other receivables	16,988	157,169
Bank balances and cash	617,850	1,894,858
	634,838	2,052,027
CURRENT LIABILITIES		
Other payables	36,970	27,653
Amounts due to subsidiaries	62,681	53,158
Bank borrowings due within one year	–	1,353
Senior notes	4,484,610	1,794,707
	4,584,261	1,876,871
NET CURRENT (LIABILITIES) ASSETS	(3,949,423)	175,156
TOTAL ASSETS LESS CURRENT LIABILITIES	9,076,314	11,085,897

	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES		
Senior notes	8,602,912	10,035,569
Bank borrowing due after one year	650,000	650,000
	9,252,912	10,685,569
NET (LIABILITIES) ASSETS	(176,598)	400,328
CAPITAL AND RESERVES		
Share capital	497,868	497,848
Reserves	(674,466)	(97,520)
	(176,598)	400,328

The financial statements of the Company are prepared on a going concern basis because the Company has refinanced by issuance of senior notes with nominal value of US$650,000,000 in aggregation at the date these consolidated financial statements are authorised for issuance (details are set out in note 59 (b) and (c)), which enable the Company to meet in full its financial obligations as they fall due in the foreseeable future.

For the year ended 31 December 2017

58. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement of reserves:

	Share premium RMB'000	Accumulated losses RMB'000	Share options reserve RMB'000	Total RMB'000
At 1 January 2016	2,200,190	(973,115)	17,933	1,245,008
Loss and total comprehensive expense for the year	–	(1,087,099)	–	(1,087,099)
Issue of shares upon exercise of share options	706	–	(342)	364
Dividend distributed to shareholders of the Company (note 11)	(255,793)	–	–	(255,793)
At 31 December 2016	1,945,103	(2,060,214)	17,591	(97,520)
Loss and total comprehensive expense for the year	–	(327,041)	–	(327,041)
Issue of shares upon exercise of share options	201	–	(57)	144
Dividend distributed to shareholders of the Company (note 11)	(250,049)	–	–	(250,049)
At 31 December 2017	1,695,255	(2,387,255)	17,534	(674,466)

For the year ended 31 December 2017

59. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, the Group had following significant events took place:

(a) Pursuant to the agreements entered into among certain subsidiaries of the Company and Colour life, the Company agreed to transfer 100% beneficial interest in Shenzhen Wanxiang and 100% of the equity interest in Wanxiangmei to Colour Life. The consideration constitutes cash consideration of RMB1,014,174,000 and issuance of 231,500,000 ordinary shares of Colour Life. The acquisition was completed on 28 February 2018.

(b) On 14 February 2018, the Company issued guaranteed fixed rate senior notes with aggregate nominal value of US$300,000,000 which carry fixed interest of 7.25% per annum and mature in 2019. The proceeds are to be used for refinancing certain of the Group's existing indebtedness and for the general working capital purposes.

(c) On 1 March 2018, the Company issued guaranteed fixed rate senior notes ("2018 March Original Senior Notes") with aggregate nominal value of US$350,000,000 which carry fixed interest of 8.375% per annum and mature in 2021. The proceeds are to be used for refinancing certain of the Group's existing indebtedness and for the general working capital purposes.

(d) On 14 March 2018, the Company further issued guaranteed fixed rate senior notes ("2018 March Additional Senior Notes") with aggregate nominal value of US$100,000,000 which carry fixed interest of 8.375% per annum and mature in 2021. The proceeds are to be used for refinancing certain of the Group's existing indebtedness and for the general working capital purposes. 2018 March Additional Senior Notes will be consolidated and form a single series with the 2018 March Original Senior Notes with the same terms and conditions of the 2018 March Original Senior Notes, except for the issue date and the issue price.

RESULTS

	For the year ended 31 December					
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Revenue	6,230,050	7,279,828	7,305,950	8,164,297	10,920,638	**9,782,568**
Profit before taxation	2,386,858	2,404,303	2,529,719	2,721,358	2,506,164	**2,566,918**
Income tax expense	(1,261,209)	(1,174,112)	(1,157,408)	(1,318,542)	(1,441,816)	**(1,157,207)**
Profit For the year	1,125,649	1,230,191	1,372,311	1,402,816	1,064,348	**1,409,711**
Attributable to						
Owners of the company	1,139,241	1,215,038	1,255,341	1,210,610	805,736	**1,154,316**
Non-controlling interests	(13,592)	15,153	116,970	192,206	258,612	**255,395**
	1,125,649	1,230,191	1,372,311	1,402,816	1,064,348	**1,409,711**

ASSETS AND LIABILITIES

	At 31 December					
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Total assets	24,526,597	30,563,466	41,254,080	44,551,288	49,752,263	**68,956,740**
Total liabilities	17,605,431	22,732,138	29,841,706	32,311,251	36,631,528	**51,258,709**
	6,921,166	7,831,328	11,412,374	12,240,037	13,120,735	**17,698,031**
Equity attributable to owners of the company	6,601,130	7,320,451	9,453,059	10,408,491	10,955,351	**12,636,917**
Non-controlling interests	320,036	510,877	1,959,315	1,831,546	2,165,384	**5,061,114**
	6,921,166	7,831,328	11,412,374	12,240,037	13,120,735	**17,698,031**

1. COMPLETED PROPERTIES HELD FOR INVESTMENT

No.	Property	Type	lease term	Gross floor	Interest attributable to the Group
1	Units 101 and 148 and 200 car parking spaces of My Place located at Xiasha Village South Binhe Road Futian District Shenzhen City Guangdong Province The PRC	Commercial/ Carpark	Long/–	Commercial: 11,100.07 m^2	100%
2	Unit 16B of Jinfeng Mansion located at Shangbu South Road Futian District Shenzhen City Guangdong Province The PRC	Commercial	Medium	450.21 m^2	100%
3	Unit 110 and 191 car parking spaces of Pair Life located at Wenjindu Luohu District Shenzhen City Guangdong Province The PRC	Commercial/ Carpark	Long/–	Commercial: 1,234.93 m^2	100%
4	100 car parking spaces of Self Life located at the junction of Fuhua Road and Binhe Road Futian District Shenzhen City Guangdong Province The PRC	Carpark	–	–	100%
5	Units 105 to 108 and 200 car parking spaces of Hailrun Complex No. 6021 Shennan Boulevard Futian District Shenzhen City Guangdong Province The PRC	Commercial/ Carpark	Medium/–	Commercial: 22.08 m^2	100%
6	177 car parking spaces of Endless Blue located at the northern side of North Ring Xiameilin Futian District Shenzhen City Guangdong Province The PRC	Carpark	–	–	100%

No.	Property	Type	lease term	Gross floor	Interest attributable to the Group
7	Units 201 to 204 of Block C and 319 car parking spaces of Future Plaza located at the north of Qiaoxiang Road and the west of Zhonghang Shahe Industrial Zone Nanshan District Shenzhen City Guangdong Province The PRC	Office/ Carpark	Medium/–	Office: 1,511.51 m^2	100%
8	145 car parking spaces of Flower Harbor located at the junction of Mingzhu Avenue and Yong'an North Road Yantian District Shenzhen City Guangdong Province The PRC	Carpark	–	–	100%
9	527 car parking spaces of Huajun Garden of Love Forever located at the junction of Bao'an Avenue and Yulv Road Bao'an District Shenzhen City Guangdong Province The PRC	Carpark	–	–	100%
10	507 car parking spaces of Huaxiang Garden of Love Forever located at the junction of Baoan Avenue and Yulv Road Bao'an District Shenzhen City Guangdong Province The PRC	Carpark	–	–	100%
11	Units 401 to 404 of Xiangyun Tiandu Century Mansion located at the junction of Fuqiang Road and Xinzhou San Street Futian District Shenzhen City Guangdong Province The PRC	Office	Long	509.09 m^2	100%

No.	Property	Type	lease term	Gross floor	Interest attributable to the Group
12	The northern portion of Block B and 200 car parking spaces of Funian Plaza located at the junction of Shihua Road and Hongmian Avenue Futian District Shenzhen City Guangdong Province The PRC	Office/ Carpark	Medium/–	Office: 20,398.49 m^2	100%
13	Various retail units Longnian Building Longgang Town Longgang District Shenzhen City Guangdong Province The PRC	Commercial	Long	287.91 m^2	100%
14	Phase II of Able Electronic Project located at the north-western side of the junction of Qingfeng Avenue and Baolong 4th Road Baolong Industrial Zone Longgang District Shenzhen City Guangdong Province The PRC	Commercial	Long	86,073.75 m^2	61%
15	153 car parking spaces of Human Art Wisdom No. 33 Ximianqiao Street Wuhou District Chengdu City Sichuan Province The PRC	Carpark	Long	5,977.23 m^2	100%
16	The commercial portion of a community club and 15 car parking spaces of Fantasia Special Town No. 333 Huanglong Avenue 2nd Section Gongxing Town Shuangliu County Sichuan Province The PRC	Club/ Carpark	Long	Carpark: 275.8 m^2 Club: 2,489.26 m^2	100%

No.	Property	Type	lease term	Gross floor	Interest attributable to the Group
17	566 mechanical car parking spaces of Love Forever No. 99 Shuangqing Road Chenghua District Chengdu City Sichuan Province The PRC	Carpark	–	–	100%
18	Building No. 7 and portion of Levels 1 to 3 of Building No. 20 of Fantasia Town No. 399 Wenquan Avenue 3rd Passage Jinma Town Wenjiang District Chengdu City Sichuan Province The PRC	Commercial	Long	20,784.30 m^2	100%
19	1,139 mechanical car parking spaces of Future Plaza No. 88 Jitai Fifth Road Hi-tech Industrial Development Zone Chengdu City Sichuan Province The PRC	Carpark	Short	–	100%
20	Various commercial units and 3 retail units of Fantasia Longnian International Center located at the 3 She of Wangcong Village and 6 She of Jusong Village Pitong Town Pi Country Chengdu City Sichuan Province The PRC	Commercial	Long	31,258.58 m^2	100%
21	Phase 3 of Fantasia Longnian International Center located at Jusong Village Pitong Town Pi Country Chengdu City Sichuan Province The PRC	Commercial	Long	6,922.68 m^2	100%
22	3 retial Units on Level 2 of Building No. 16 of Fantasia Town No. 266 Taiji Avenue Jinma Town Wenjiang District Chengdu City Sichuan Province The PRC	Commercial	Long	233.05 m^2	100%

No.	Property	Type	lease term	Gross floor	Interest attributable to the Group
23	Portions of Levels 1 to 9 and 77 car parking spaces of Zhongding Mansion No. 4 Canluan Road Hi-tech Development Zone Guilin City Guangxi Province The PRC	Office/ Carpark	Medium/–	10,940.52 m^2	100%
24	Building No. 1 (exclusive of Level 2) and Level 3 of Building No. 5 of Guilin Fantasia Town located at the junction of Wanfu Road and Xicheng Avenue Lingui New District Guilin City Guangxi Province The PRC	Commercial	Long	61,982.66 m^2	100%
25	Various retail units of Building No. 29 of Phase II Lakeside Eden Yangtang Industrial Park Lingui Town Guilin City Guangxi Province The PRC	Commercial	Long	9,448.76 m^2	70%
26	Various retail units of Building 1 to 3 and 8 of Phase III of Lakeside Eden located at Yangtang Industrial Park Linggui Town Guilin City Guangxi Province The PRC	Commercial	Long	4,697.50 m^2	100%
27	5 car parking spaces of Tianjin Future Plaza located at the junction of Dongjiang Road and Neijiang Road Hexi District Tianjin The PRC	Carpark	–	–	60%

No.	Property	Type	lease term	Gross floor	Interest attributable to the Group
28	Several commercial units and 599 car parking spaces of Hailrun Plaza located at the junction of Jiefang South Road and Wushui Road Jinnan District Tianjin The PRC	Office/ Carpark	Medium/–	Office: 4,990.41 m^2	60%
29	473 car parking spaces of Phase I of Huajun Garden located at the northern side of Nongyu Road Xiazhuzhuang Street Wuqing District Tianjin The PRC	Carpark	–	–	100%
30	480 car parking spaces of Phase IV of Huajun Garden located at the northern side of Nongyu Road Xiazhuzhuang Street Wuqing District Tianjin The PRC	Carpark	–	–	100%
31	Various office units, retail units and 347 car parking spaces of Meinian Plaza No. 308–13 Chen Tang Technology Business Service Center No. 20 Dong Ting Avenue Hexi District Tianjin The PRC	Office/ Commercial/ Carpark	Long	12,094.92 m^2	100%
32	12 retail units of Building Nos. 3 to 5 of Fantasia Life Square located at the southern side of Lvzhou East Road Yuhuatai District Nanjing City Jiangsu Province The PRC	Commercial	Long	20,655.26 m^2	100%

No.	Property	Type	lease term	Gross floor	Interest attributable to the Group
33	The clubhouse, kindergarten and 641 car parking spaces of Palm Park No. 3 Hechang 5th Road West Zhongkai High-tech Industrial Development Zone Huizhou City Guangdong Province The PRC	Kindergarten/ Clubhouse/ Carpark	Long/ Long/–	Kindergarten: 1,877.11 m^2 Clubhouse: 2,345.59 m^2	100%
34	The kindergarten and 85 car parking spaces of Jiayuan Estate No. 25 Maidi South Road Huicheng District Huizhou City Guangdong Province The PRC	Kindergarten/ Carpark	Medium/–	Kindergarten: 2,221.68 m^2	100%
35	The clubhouse and 226 car parking spaces of Xiangxie Garden No. 63 Yanda Avenue Huicheng District Huizhou City Guangdong Province The PRC	Clubhouse/ Carpark	–	Clubhouse: 371.25 m^2	100%
36	165 car parking spaces of Cuiyuan Garden No. 35 Maidi South Road Huicheng District Huizhou City Guangdong Province The PRC	Carpark	–	–	100%
37	169 car parking spaces of Yayuan Garden No. 1 Huayuan Road Huicheng District Huizhou City Guangdong Province The PRC	Carpark	–	–	100%

No.	Property	Type	lease term	Gross floor	Interest attributable to the Group
38	Unit 105 of Building No. 26 and a kindergarten of Phase II of Fantasia Special Town located at Danshui Street Huiyang District Huizhou City Guangdong Province The PRC	Commercial/ Kindergarten	Long	Commercial: 271.36 m^2 Kindergarten: 2400.00 m^2	100%
39	Various retail units of Phase III of Fantasia Special Town located at Danshui Street Huiyang District Huizhou City Guangdong Province The PRC	Commercial	Long	394.62 m^2	100%
40	5 residential units of 2076 Sixiangjia located at the northern side of Baiyun 2nd Road Danshui Town Huiyang District Huizhou City Guangdong Province The PRC	Residential	Long	237.45 m^2	100%
41	Various retail units of Blocks 25 to 28 of Phase 5 of Kangchengsiji located at Zhongkai Nos. 12 an 13 Zone Huizhou City Guangdong Province The PRC	Commercial	Long	5,591.03 m^2	100%
42	Various retail units and 846 car parking spaces of Fantasia Town located at the western side of Huanhu Middle Road and the northern side of Baihuan'er Road Jinyinhu Street Dongxihu District Wuhan City Hubei Province The PRC	Commercial/ Carpark	Long	14,821.84 m^2	100%

No.	Property	Type	lease term	Gross floor	Interest attributable to the Group
43	1,822 car parking spaces of Phase I and III of Huajun No. 138 Renhe Road Qingshan District Wuhan City Hubei Province The PRC	Carpark	–	–	100%
44	Various office units and retail units located at the junction of Yanhe Avenue and Wusheng Road Qiaokou District Wuhan City Hubei Province The PRC	Office/ Retail	Long	65,526.79 m^2	100%
45	Various residential units and retail units and 413 car parking spaces of Jiangshan Garden Jiangshan Hui located at Gongchang Road Huangjiang Town Dongguan City Guangdong Province The PRC	Commercial	Long	13,656.45 m^2	100%
46	2 residential units of Block B and 22 car parking spaces of Aidu Apartment No. 55 of No. 2322 Nong Hongqiao Road Shanghai City The PRC	Residential/ Carpark	Long	Residential: 494.57 m^2	100%
47	An office building and 18 car parking spaces of Guobang Garden No. 10, Lane 396 Urumqi Road South Shanghai The PRC	Office/ Car parking	Long	Office: 5765.59 m^2	
48	Various commercial units and car parking spaces of Hailrun Plaza located at the southeastern junction of Shishan Road and Binhe Road Shishan Street National New & Hi-tech Industrial Development Zone Suzhou City Jiangsu Province The PRC	Commercial/ Car park	Long	Commercial: 111,953.22 m^2	100%

2. INVESTMENT PROPERTIES UNDER CONSTRUCTION

No.	Property	Type	Lease term	Stage of Completion	Interest held to the Group (%)	Anticipated completion date
1	Various commercial units of Fantasia Town under construction located at the southern side of Shuanggao Road and the western side of Taoyuan South Road Gaochun Development Zone Nanjing City Jiangsu Province The PRC	Commercial	Long	In progress	100%	2018
2	A parcel of land at Xiehe Road Shuangliu Country Chengdu City Sichuan Province The PRC	Commercial	Long	In progress	91%	2020
3	A parcel of land at Yonghe Village Yangma Town Chongzhou City Sichuan Province The PRC	Commercial	Long	In progress	100%	2020
4	A parcel of land located at 4th Group in Yonghe Village Yangma Town Chongzhou City Sichuan Province The PRC	Commercial	Long	In progress	100%	2020
5	4 Commercial buildings of Fantasia M3 under construction located at the southeastern junction of Zhenghe Middle Road and Dongting South Road Taicang City Jiangsu Province The PRC	Commercial	Long	In progress	100%	2018

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 01777

REGISTERED OFFICE

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

CORPORATE HEAD OFFICE IN HONG KONG

Room 1202-03
New World Towel I
16-18 Queen's Road Central
Hong Kong

CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

Block A, Funian Plaza
Shihua Road and Zijing Road
Interchange in Futian Duty-free Zone
Shenzhen 518048
Guangdong Province, China

www.cnfantasia.com