Jiayuan International Group Limited
佳源國際控股有限公司
(Incorporated in the Cayman Islands with Limited Liability)
Stock Code : 2768

2017
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director
Shum Tin Ching *(Chairman)*

Executive Directors
Huang Fuqing *(Vice Chairman)*
Cheuk Hiu Nam *(Chief Executive Officer)*
Wang Jianfeng

Independent non-executive Directors
Tai Kwok Leung, Alexander
Cheung Wai Bun, Charles, *JP*
Gu Yunchang

AUDIT COMMITTEE
Tai Kwok Leung, Alexander *(Chairman)*
Cheung Wai Bun, Charles, *JP*
Gu Yunchang

REMUNERATION COMMITTEE
Cheung Wai Bun, Charles, *JP (Chairman)*
Tai Kwok Leung, Alexander
Cheuk Hiu Nam

NOMINATION COMMITTEE
Shum Tin Ching *(Chairman)*
Cheung Wai Bun, Charles, *JP*
Gu Yunchang

COMPANY SECRETARY
Wong Tak Yee, *FCS, FCIS*

AUTHORISED REPRESENTATIVES
Cheuk Hiu Nam
Wong Tak Yee

AUDITOR
Deloitte Touche Tohmatsu

LEGAL ADVISERS
As to Hong Kong law:
Mayer Brown JSM

As to PRC law:
Jingtian & Gongcheng

As to Cayman Islands law:
Conyers Dill & Pearman

COMPLIANCE ADVISER
Messis Capital Limited

PRINCIPAL BANKERS
Hang Seng Bank Limited
Wing Lung Bank Limited
Nanyang Commercial Bank
Shanghai Pudong Development Bank
Industrial and Commercial Bank of China Limited
Banco Tai Fung
Bank of Dalian

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STOCK CODE
2768

COMPANY PROFILE

ABOUT JIAYUAN

Jiayuan International Group Limited (the "Company" and together with its subsidiaries, collectively as the "Group") (Stock Code: 2768) is an established property developer of large-scale residential complexes and commercial complexes in the People's Republic of China ("PRC"). On 8 March 2016 (the "Listing Date"), the Company completed the initial public offering with its shares listed on the Main Board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing").

With over 20 years of experience in property development, the Group develops property projects through comprehensive planning, meticulous quality control, sophisticated operating systems and experienced professional teams to meet the needs of different regions and successfully consolidate the "Jiayuan" brand.

As at 31 December 2017, the Group's property portfolio comprised 32 properties in various cities and key towns in the PRC, with land reserve of approximately 7.1 million square meters, covering most of the cities of Jiangsu province. The Group first successfully entered into the market of Guangdong Province and acquired 2 quality projects in Shenzhen in 2016. In 2017, the Group has established its presence in Macau's real estate market by acquiring two adjacent land parcels of good quality located at Taipa District of Macau, further expanding the Group's business territory in Guangdong-Hong Kong-Macau Greater Bay Area.

The Group's residential and commercial complexes have been or will be developed into mixed-use community centres, which are designed to provide a high level of convenience and enjoyment to customers. In this regard, the Group strives to infuse the following key values into the developments:

(i) Education value: The Group believes that education is of paramount importance to customers as parents. Therefore, the Group focuses on selecting locations with relatively mature school net. In addition, the Group has participated in the construction of five schools in our developed property projects, aiming at building an excellent school net.

(ii) Leisure value: It is the Group's general practice to space a large portion of its site area for the construction of classical landmarks, European or Japanese theme parks and plazas, aiming at enhancing the visual attraction of properties and bringing leisure enjoyment to our customers; and

(iii) Commercial value: The residential properties under the Group also develop retail stores and shopping malls, providing a "one-station" shopping experience to our customers and taking care of the daily needs of residents and citizens nearby.

Therefore, the Group believes that the quality property development projects under the Group are or will be well received in the locations in which the Group operates or plans to expand operation.

CHAIRMAN'S STATEMENT

Dear **Shareholders**,

In 2017, the Group made shrewd judgement on market situation and seized opportunities of urban development. Leveraging on our ability to readily adapt to market changes and philosophy of maintaining stability in operations development, we realised stable and effective growth in scale.

GROUP OVERVIEW

In 2017, different levels of the Chinese government have introduced some regulatory measures and adopted tailored regulatory approaches to different categories and cities, so as to foster the healthy development of the real estate industry. In general, the transaction volume and average prices of domestic commodity housing maintained an upward trend. The Group completed a number of significant land transactions in 2017 by way of mergers and acquisitions and tender, auction and listing, among which, some residential projects have been launched for sales and their sales performance was satisfactory. As at 31 December 2017, the Group's property portfolio comprised 32 properties in various major cities in the PRC, with land reserve of over 7.0 million sq.m., covering most of the major cities of Jiangsu Province. To sustain the stable growth in contracted sales, during 2017, the Group acquired three residential projects located in the core district of Yangzhou, a residential project located in the core district of Taicang, Suzhou, as well as a parcel of land for residential and commercial uses in Siyang, Suqian through tender, auction and listing. In addition, the Group has also established its presence in Macau's real estate market by acquiring two adjacent land parcels of good quality located at Taipa District of Macau, further expanding the Group's business territory in Guangdong-Hong Kong-Macau Greater Bay Area.

PROSPECTS

China's economy will remain on an upward trend in 2018. It is expected that the emphasis on policies direction that facilitates the demand for owner-occupied residential property reaffirmed at the 19th CPC National Congress by the Chinese Communist Party and the proposal of "expediting the establishment of a housing system which encompasses multi-suppliers, multi-channels and both leasing and purchase" at the Central Economic Work Conference will establish a more stable foundation for the development of the real estate market. The Group believes that given the enormous size of the real estate industry and the pace of new urbanisation, rigid housing demand and the demand for upgrading housing will be further

unleashed under the effect of the long-term mechanism aiming to foster the stable and healthy development of the real estate market. In addition, the construction of "Guangdong-Hong Kong-Macau Greater Bay Area" was included as a major task of 2018 at the 19th CPC National Congress. It was pointed out that "Guangdong-Hong Kong-Macau Greater Bay Area" enjoys the advantages of "One Country, Two Systems", location, open economy and culture and environment, and has been equipped with the basic conditions for developing into a global first-class bay area which is comparable with the Tokyo Bay Area, San Francisco Bay Area and New York Bay Area, and will become a vital ground for China to build world-class city clusters in the future. The Group will actively support the guidelines of the 19th CPC National Congress and adapt to the macroeconomic changes of austerity measures. At the same time, we will also grasp customers' demand and foster the growth of contracted sales in a pragmatic way.

Looking forward to 2018, apart from continuing the Group's focus on Jiangsu Province, expanding its business footprint to other major provinces and cities and developing the quality projects in "Guangdong-Hong Kong-Macau Greater Bay Area", the Group will also closely follow the country's "Belt and Road" strategic initiative, develop quality projects in countries and regions along the belt, such as Vietnam, Cambodia and Australia, as well as explore prime land with favourable growth prospect, so as to increase its quality land reserves in overseas gradually, thereby seizing the opportunities across the global real estate market and creating better benefits and greater value for our shareholders.

Jiayuan International Group Limited
Shum Tin Ching
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The PRC's real estate market was exposed to both opportunities and challenges in 2017. On one hand, the PRC government generally tightened the regulatory measures on the real estate sector by adopting measures targeting "purchase restriction, credit restriction, price restriction and sales restriction", and curbing property prices appreciation effectively. On the other hand, under the influence of "four restrictions", part of the housing demand has been flowing into the third- and fourth-tier cities nearby, thereby increasing the property prices and transaction volume in those cities. During the year, the Group achieved good sales results by conforming to market changes with the adoption of active investment tactics, while continuously showing a strong and steady momentum of development.

Throughout 2017, the transaction volume and average selling price of commodity housing in the PRC maintained a moderate upward trend. According to the "National Real Estate Development and Sales in 2017" (《2017年全國房地產開發投資和銷售情況》) issued by the National Bureau of Statistics of the PRC, the sales of national commodity housing amounted to approximately RMB133.7 trillion in 2017, representing an increase of 13.7% as compared with that of 2016. Sales of residential housing also had a year-on-year increase by 11.3%. The sales area of national commodity housing amounted to approximately 1.69 billion sq.m., representing a year-on-year increase of 7.7%.

Footprint of Property Development

As of 31 December 2017, the Group's land bank occupied approximately 7.1 million sq.m., and its property portfolio comprised of 32 properties in various cities in the PRC, comprising 24 residential complexes and 8 commercial complexes located in the cities such as Nanjing, Yangzhou, Suzhou, Nantong, Zhenjiang, Taizhou and Suqian. The Group first set foot in Guangdong Province in 2016 by acquiring two quality projects in Shenzhen and later established its presence in Macau during 2017, further expanding its quality land bank in Guangdong-Hong Kong-Macau Greater Bay Area.

Well-established Investor Relations

Stock commentators and investors tours

The Group organised several stock commentators and investor tours during the year. Investors visited cities where our projects were located, such as Nanjing, Zhenjiang, Yangzhou, Nantong and Taizhou. Accompanied by our management, investors had the opportunity to inspect the quality and services of each projects on-site, thereby recognising the scale of operation of each project and the achievements obtained by the Group.

Investment Research Institution Summit and Investors Roadshow Invitation

Besides participating in the Stock Connect events hosted by the Stock Exchange at the beginning of 2017, the Group also actively participated in conferences and investors roadshows organised by large-scale organisations, such as the "Gelonghui Hong Kong Stocks Investment Summit 2017 (格隆匯決戰港股2017)" and "Zetong Finance Insight into the New Value of Hong Kong Stocks Summit (智通財經洞見港股新價值高峰論壇)", sharing the Company's overall performance in the past year with corporate investors and analysts from Mainland China and Hong Kong, thereby being prepared for further development in the future.

Fully recognised by the industry

The share price of the Company achieved an increase of over 300% since its listing in March 2016. The market capitalisation of the Company has reached HK$20.0 billion in December 2017. The Company's remarkable performance in the past year was recognised by large scale organisations within the industry. The Company received various industry accolades, including the "New Shares Growth Momentum Award", "Listed Company 2017 Award", and "Most Valuable Listed Real Estate Company Award 2017". In addition, the project companies of the Group also had outstanding performance, projects such as Taizhou Venice Metropolis and Nantong Jiayuan Metropolis were awarded the "Outstanding Residential District" and "Nantong Potential Real Estate 2017" respectively, affirming the Group's leading position within the real estate industry.

Prospects for 2018

Under the guidelines of the 19th CPC National Congress, the central government plans to maintain its current regulatory measures in 2018. The Group believes the real estate policy of the PRC will continue to focus on maintaining stability. In order to maintain healthy and stable market development, the Group believes the policies will remain focus on cooling down the overheating market in popular cities within the major metropolitan circle and speeding up the destocking process in the underperformed second- and third-tier cities within the non-major metropolitan circle. The Group expects that the housing demand in the PRC's second- and third-tier cities will remain robust in the future while the overall real estate sales volume will obtain certain increase.

The Group will continue to adhere to the development strategy of "expand and strengthen" (「做大做強」). In addition to the continual development of new projects in the major cities of the Jiangsu Province, the Group will also strive to actively expand quality projects in other major provinces and cities as well as in the Pearl River Delta. The Group has expanded its property business into Shenzhen and Macau and will focus on exploring quality land in the economic circles of Guangdong-Hong Kong-Macau Greater Bay Area in the future. The Group will actively seek for quality land reserves through mergers and acquisitions, tenders, auctions and bids in the listings posted by the government to enhance its market share in the PRC.

In addition, the Group will continue to explore and apply architectural 3D printing technology and strive to expand the application of such technology from gardening and outdoor products to certain aspects of projects obtained by the Group. Being a relatively new construction method which utilises the digitisation of manufacturing in factories, architectural 3D printing technology is not only an environmentally friendly and energy-saving technology, it also accelerates the pace of industrialisation of construction and housing industrialisation, transforming the Group towards a more "technical real estate" and "green building" ideal.

Undaunted by challenges, the Company has witnessed and experienced various fluctuation and cycles in the property market. The Company strives to maintain its core business of property and give impetus to the development of urbanisation. The Group will continue to pursue a sustainable and balanced growth strategy with due care to risks in order to maximise value for its shareholders.

Contracted Sales

During the year of 2017, the contracted sales of the Group amounted to approximately RMB10.37 billion, representing an increase of approximately 123.1% from approximately RMB4.65 billion recorded in 2016. Contracted sales area of the Group amounted to approximately 1,177,000 sq.m., representing a significant increase of approximately 156% from 460,000 sq.m. recorded in 2016. The average price of contracted sales amounted to RMB8,813 per sq.m. which is similar to that of last year. The contracted sales of the Group by geographical location, of Yangzhou, Taizhou, Nanjing, Suqian, Nantong, Suzhou, Zhenjiang and others amounted to approximately RMB3.56 billion, RMB2.17 billion, RMB1.54 billion, RMB1.35 billion, RMB0.82 billion, RMB0.45 billion, RMB0.39 billion and RMB0.09 billion, respectively, representing approximately 34%, 21%, 15%, 13%, 8%, 4%, 4% and 1% of the Group's total contracted sales in 2017, respectively.

Details of contracted sales breakdown of the Group by major projects are as follows:

Project	Year ended 31 December 2017			Year ended 31 December 2016		
	Contracted sales RMB (million) (unaudited)	Contracted gross floor area ("GFA") (sq.m.)	Contracted average selling price ("ASP") (RMB per sq.m.)	Contracted sales RMB (million) (unaudited)	Contracted GFA (sq.m.)	Contracted ASP (RMB per sq.m.)
1. Nanjing Zijin Mansion 南京紫金華府	1,544.0	46,696	33,065	2,185.3	76,128	28,705
2. Taizhou Venice Metropolis 泰州威尼斯城	1,268.2	150,871	8,406	429.9	68,484	6,277
3. Suqian Rome Metropolis 宿遷羅馬都市	446.4	96,019	4,649	190.4	45,504	4,183
4. Taizhou Jiayuan Central Plaza 泰州佳源中心廣場	346.9	62,654	5,537	120.0	25,723	4,664
5. Taizhou Jiayuan New World 泰州新天地	237.8	20,738	11,465	523.2	51,519	10,155
6. Nantong Jiayuan Metropolis 南通佳源都市	822.8	106,132	7,752	149.2	23,457	6,362
7. Yangzhou Jiayuan Centurial City 揚州佳源世紀天城	2,222.8	232,091	9,577	416.6	49,376	8,436
8. Zhenjiang Jiayuan Paris Metropolis 鎮江佳源巴黎都市	390.9	50,512	7,739	–	–	–
9. Suqian Paris Metropolis 宿遷巴黎都市	375.8	98,310	3,822	174.3	36,082	4,831
10. Suzhou Jiayuan Harbourview 蘇州海藝豪庭	449.9	31,327	14,363	–	–	–
11. Yangzhou Centurial Honour Mansion 揚州國源榮御府	680.0	70,852	9,597	–	–	–
12. Yangzhou Yurun Jiayuan Guifu, Huafu 揚州雨潤佳源桂府、華府	651.7	66,578	9,789	–	–	–
13. Suqian The Bund Number One 宿遷外灘壹號	420.2	56,266	7,469	–	–	–
14. Others	512.8	87,605	5,854	459.3	83,818	5,479
Total	10,370.2	1,176,651	8,813	4,648.2	460,091	10,102

Property Projects

According to the stage of development, the Group classifies its property projects into three categories: completed properties, properties under development and properties held for future development. As some of its projects comprise multiple-phases development on a rolling basis, a single project may include different phases at various stages of completion, completed properties, properties under development or held for future development.

As at 31 December 2017, the Group had land reserves with a total GFA of approximately 7.1 million sq.m..

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 31 December 2017, the Group had investment properties with a total GFA of approximately 0.4 million sq.m.. Certain portions of these investment properties are located in the integrated commercial complexes developed by the Group, in which the Group will retain control over the central management of the shopping arcades in order to enable the Group to select tenants and determine industry composition. The Group's operational model for such integrated commercial complexes is to sell all of the residential properties and 50.0% of the commercial properties; and retain the ownership of 50.0% of the commercial properties for investment properties.

Investment Properties

The following table sets out a summary of the Group's investment properties (excluding carparks) as at 31 December 2017:

Project	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income For the year ended 31 December 2017 (RMB million)	2016 (RMB million)
Yangzhou				
1. Park Number One 公園一號	720.8	720.8	0.3	0.3
2. Jiayuan Centurial Garden 世紀花園	8,653.1	8,653.1	0.9	0.9
3. Jiayuan Centurial City 佳源世紀天城 *(Note)*	127,002.1	–	–	–
Taizhou				
4. Jiayuan Central Plaza 佳源中心廣場	47,567.2	43,601.2	2.5	1.4
5. Jiayuan New World 新天地	25,190.9	20,643.3	3.4	3.6
6. Qiangxi Garden 羌溪花苑	3,045.8	3,045.8	0.5	0.3
7. Oriental Bright City 東方不夜城	34,419.1	34,303.1	5.8	5.8
8. Quexiandao Number One 鵲仙島一號	10,027.7	9,939.1	2.5	2.5
Suqian				
9. Rome Metropolis 羅馬都市	43,886.0	37,534.0	3.2	2.8
Changzhou				
10. Jiayuan Central Plaza 佳源中心廣場	49,849.3	3,818.3	–	–
Nanjing				
11. Zijin Mansion 紫金華府 *(Note)*	41,229.3	–	–	–
Total	391,591.3	162,258.7	19.1	17.6

Note: The project is currently under construction.

Land Reserves

The following table sets out a summary of the Group's land reserves by projects as at 31 December 2017:

Project	Location	Status	Expected Completion Date	Project type	Site Area (sq.m.)	Land Reserve Area (sq.m.)	Ownership Interest %
Yangzhou							
1. Jiayuan Centurial City 佳源世紀天城	Jiangdu District, Yangzhou City, Jiangsu Province	Under development	2019 Q2	Mixed-use	214,206	717,691	100%
2. Centurial Honour Mansion 世紀天城榮御府	Jiangdu District, Yangzhou City, Jiangsu Province	Under development	2019 Q2	Mixed-use	167,810	573,803	100%
3. Jiayuan Westmount Villa 佳源西峰玖墅	Hanjiang District, Yangzhou City, Jiangsu Province	Under development	2019 Q2	Residential	143,822	239,056	70%
4. Jiayuan Centurial Villa 世紀豪園	Jiangdu District, Yangzhou City, Jiangsu Province	Completed	–	Residential	391,088	1,803	100%
5. Jiayuan Centurial Garden 世紀花園	Jiangdu District, Yangzhou City, Jiangsu Province	Completed	–	Residential	234,671	4,317	100%
6. Park Number One 公園一號	Guangling District, Yangzhou City, Jiangsu Province	Completed	–	Residential	75,591	–	100%
7. Jiayuan Centurial Scenery Park 世紀景園	Jiangdu District, Yangzhou City, Jiangsu Province	Completed	–	Residential	60,972	–	100%
8. Yurun Guifu 雨潤桂府	Guangling District, Yangzhou City, Jiangsu Province	Under development	2019 Q2	Residential	119,973	324,904	100%
9. Yurun Huafu 雨潤華府	Guangling District, Yangzhou City, Jiangsu Province	Under development	2019 Q2	Residential	91,722	253,587	100%
Nanjing							
10. Zijin Mansion 紫金華府	Xuanwu District, Nanjing City, Jiangsu Province	Under development	2018 Q4	Residential	339,008	106,020	100%

Project	Location	Status	Expected Completion Date	Project type	Site Area (sq.m.)	Land Reserve Area (sq.m.)	Ownership Interest %
Taizhou							
11. Venice Metropolis 威尼斯城	Urban area of Taixing City, Taizhou City, Jiangsu Province	Under development	2022 Q3	Residential	660,576	1,434,020	100%
12. Taixing Jiayuan Central Plaza 泰興佳源中心廣場	Huangqiao Town, Taixing City, Jiangsu Province	Under development	2018 Q4	Mixed-use	81,887	67,698	100%
13. Jiayuan Mingfu 佳源名府	Huangqiao Town, Taixing City, Jiangsu Province	Under development	2018 Q4	Mixed-use	42,054	49,147	100%
14. Jiayuan New World 新天地	Taixing City, Taizhou City, Jiangsu Province	Under development	2018 Q4	Mixed-use	190,802	294,140	100%
15. Qiangxi Garden 羌溪花苑	Taixing City, Taizhou City, Jiangsu Province	Under development	2018 Q4	Residential	69,486	7,917	100%
16. Guxi Jiayuan Central Plaza 古溪佳源中心廣場	Guxi Town, Taixing City, Jiangsu Province	Under development	2018 Q4	Mixed-use	83,048	148,347	100%
17. Oriental Bright City 東方不夜城	Jiangyan District, Taizhou City, Jiangsu Province	Completed	–	Residential	77,021	–	100%
18. Oriental Paris City 東方巴黎城	Jiangyan District, Taizhou City, Jiangsu Province	Under development	2018 Q4	Residential	231,702	69,515	100%
19. Quexiandao Number One 鵲仙島一號	Jiangyan Qinhu scenic area, Taizhou City, Jiangsu Province	Completed	–	Residential	68,330	11,903	100%
20. Jiayuan Central Plaza 佳源中心廣場	Qintong Town,Taizhou City, Jiangsu Province	Under development	2019 Q4	Mixed-use	15,702	15,702	100%
Suzhou							
21. Jiayuan Harbourview 海藝豪庭	Taicang, Suzhou, Jiangsu Province	Under development	2018 Q4	Residential	52,988	168,118	100%

Project	Location	Status	Expected Completion Date	Project type	Site Area (sq.m.)	Land Reserve Area (sq.m.)	Ownership Interest %
Suqian							
22. Elite International Garden 名人國際花園	Sucheng District, Suqian City, Jiangsu Province	Completed	–	Residential	53,970	389	90%
23. Park Number One 公園一號	Sucheng District, Suqian City, Jiangsu Province	Completed	–	Residential	126,183	33,206	90%
24. Paris Metropolis 巴黎都市	Siyang County, Suqian City, Jiangsu Province	Under development	2019 Q4	Residential	220,520	538,373	90%
25. Rome Metropolis 羅馬都市	Siyang County, Suqian City, Jiangsu Province	Under development	2020 Q4	Residential	302,505	759,030	100%
26. The Bund Number One 外灘一號	Siyang County, Suqian City, Jiangsu Province	Under development	2019 Q2	Residential	83,991	218,245	100%
Changzhou							
27. Jiayuan Central Plaza 佳源中心廣場	Xueyan Town, Changzhou City, Jiangsu Province	Completed	–	Mixed-use	58,601	72,768	100%
Nantong							
28. Jiayuan Metropolis 佳源都市	Tongzhou District, Nantong City, Jiangsu Province	Under development	2019 Q2	Residential	198,434	518,500	100%
Zhenjiang							
29. Jiayuan Paris Metropolis 佳源巴黎都市	Runzhou District, Zhenjiang City, Jiangsu Province	Under development	2019 Q2	Residential	119,608	280,982	100%
Shenzhen							
30. Shenzhen Dingxi 深圳鼎曦	Luohu District, Shenzhen, Guangdong Province	Proposed for development	2019 Q2	Residential	4,940	55,514	100%
31. Shenzhen Songling 深圳松齡	Poan District, Shenzhen, Guangdong Province	Proposed for development	2019 Q2	Residential	4,281	38,100	100%
Macau							
32. Macau Taipa 澳門氹仔	Taipa District, Macau	Proposed for development	2022 Q4	Residential	5,597	60,969	100%
Total					4,591,089	7,063,764	

FINANCIAL REVIEW

Operating Results

Revenue

Revenue of the Group mainly consists of revenue derived from (i) property development and (ii) property investment. In 2017, revenue of the Group amounted to approximately RMB6,948.8 million, representing an increase of approximately 87.7% from approximately RMB3,702.1 million in 2016. Profit and total comprehensive income for the year attributable to the owners of the Company was approximately RMB1,285.7 million, representing an increase of approximately 58.5% from approximately RMB811.2 million in 2016.

Property Development

The Group's revenue from property development included the sale of residential and commercial properties. The Group recognised revenue from the sale of properties when the significant risks and rewards of ownership have been transferred to the purchaser, i.e. when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue derived from property development increased by approximately 88.1% to approximately RMB6,923.9 million in 2017 from approximately RMB3,681.8 million in 2016. The increase was mainly due to the delivery of properties pre-sold under Nanjing Zijin Mansion project upon its completion in 2017.

Property Investment

The Group's property investment mainly consisted of leasing of commercial properties (including predominantly shopping arcades, retail shops, office properties and carparks). Revenue generated from property investment increased by approximately 22.5% to approximately RMB24.9 million in 2017 from approximately RMB20.3 million in 2016. The increase was primarily due to increase of monthly rental income generated from leasing contracts of the property investments during the year.

Gross Profit and Margin

Gross profit increased by approximately 89.8% to approximately RMB2,398.7 million in 2017 from approximately RMB1,263.9 million in 2016, while the Group's gross profit margin increased to 34.5% in 2017 as compared to a gross profit margin of 34.1% in 2016. The increase in gross profit margin was mainly attributable to the delivery of projects including Nanjing Zijin Mansion and Taizhou Jiayuan New World which contributed comparatively higher gross profit margins to the Group.

Other Income, Gains and Losses

The Group had other income and gains of approximately RMB137.6 million in 2017 while it was approximately RMB66.3 million in 2016, increased by 107.5%. The increase of other income and gains was mainly attributable to an increase in foreign exchange gain to approximately RMB78.4 million in 2017 as compared to approximately RMB5.3 million in 2016, as a result of the appreciation of RMB that contributed to the depreciation of the value of the Group's USD-denominated senior notes.

Change in Fair Value upon Transfer from Inventories of Properties to Investment Properties/ of Investment Properties

The Group's change in fair value of investment properties decreased to approximately RMB208.9 million in 2017 from approximately RMB337.8 million in 2016.

Distribution and Selling Expenses

The distribution and selling expenses increased to approximately RMB155.4 million in 2017 from approximately RMB130.2 million in 2016. The increase by approximately 19.3% was mainly attributable to an increase in sales commission in 2017.

Administrative Expenses

The Group's administrative expenses increased by approximately 98.4% to approximately RMB178.3 million in 2017 from approximately RMB89.9 million in 2016, which was mainly attributable to the commission and professional fees incurred by the issuance of senior notes and the placing and subscription in 2017.

Other Expenses

The Group's other expenses decreased to approximately RMB2.8 million in 2017 from approximately RMB15.7 million in 2016. The decrease of approximately 82.3% was mainly due to the inclusion of listing fee for initial public offering in 2016.

Finance Costs
The Group's finance costs increased to approximately RMB150.8 million in 2017 from approximately RMB64.9 million in 2016. The increase of approximately 132.3% was in line with the increase in bank and other borrowings and the issuance of senior notes.

Income Tax Expense
The Group's income tax expense increased to approximately RMB968.2 million in 2017 from approximately RMB660.7 million in 2016. The increase by approximately 46.6% was due to the increase in the Group's profit from the property development segment in 2017.

Tax Relief
The Company is not aware of any relief on taxation available to the shareholders by reason of their holdings of the shares of the Company. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares of the Company, they are advised to consult their professional advisers.

Profit and Total Comprehensive Income attributable to Owners of the Company
Profit and total comprehensive income attributable to owners of the Company increased by approximately 58.5% to approximately RMB1,285.7 million in 2017 from approximately RMB811.2 million in 2016 which was in line with the expansion of the Group's operation in 2017.

Liquidity, Financial and Capital Resources

Cash Position
As at 31 December 2017, the Group had an aggregate pledged/restricted bank deposits and bank balances and cash of approximately RMB6,716.7 million (as at 31 December 2016: approximately RMB1,416.4 million), representing an increase of approximately 374.2% as compared to that as at 31 December 2016. As at 31 December 2017, bank deposits of approximately RMB837.2 million (as at 31 December 2016: approximately RMB107.6 million) were pledged to secure bank borrowings raised by the Group.

The Group had restricted bank deposits of approximately RMB136.8 million (as at 31 December 2016: approximately RMB305.4 million) in 2017 that are restricted for use in specific property development projects.

Borrowings and the Group's Pledged Assets
As at 31 December 2017, the Group had bank and other borrowings of approximately RMB10,924.0 million (as at 31 December 2016: approximately RMB5,700.1 million). Amongst the borrowings, approximately RMB3,233.3 million (as at 31 December 2016: approximately RMB3,385.6 million) will be repayable within one year and approximately RMB7,690.6 million (as at 31 December 2016: approximately RMB2,314.4 million) will be repayable after one year.

As at 31 December 2017, bank and other borrowings of approximately RMB10,924.0 million (as at 31 December 2016: approximately RMB5,668.7 million) were secured by bank balances, land use rights and properties of the Group. As at 31 December 2017, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB16,832.0 million (as at 31 December 2016: approximately RMB10,721.8 million).

Senior Notes
In September 2016, the Company issued US$100,000,000 aggregate principal amount of 9.75% Senior Secured Notes due 2018 (the "2018 Senior Notes") which are listed on the Stock Exchange (Stock Code: 4329). The 2018 Senior Notes, bearing interest at a fixed rate of 9.75% per annum with interest payable semi-annually in arrears, will mature in September 2018.

On or after 15 September 2017, the Company may redeem the 2018 Senior Notes, in whole or in part, at a redemption price equal to 105% of the principal amount of the 2018 Senior Notes, plus accrued and unpaid interest, if any, to (but excluding) the redemption date. The Company must make an offer to repurchase all 2018 Senior Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of a change of control triggering event or a delisting event as set out in the offering circular for the 2018 Senior Notes.

In April 2017, the Company issued US$50,000,000 aggregate principal amount of 8.50% Senior Secured Notes due 2019 (the "April 2019 Senior Notes"). The April 2019 Senior Notes, bearing interest at a fixed rate of 8.5% per annum with interest payable quarterly in arrears, will mature in April 2019.

On or after 7 April 2018, the Company may, at its option, redeem the April 2019 Senior Notes, in whole or in part, at a redemption price equal to 105% of the principal amount of the April 2019 Senior Notes, plus accrued and unpaid interest, if any, to (but excluding) the redemption date.

In May 2017, the Company issued US$50,000,000 aggregate principal amount of 8.50% Senior Secured Notes due 2019 (the "May 2019 Senior Notes"). The May 2019 Senior Notes, bearing interest at a fixed rate of 8.5% per annum with interest payable quarterly in arrears, will mature in May 2019.

On or after 19 May 2018, the Company may, at its option, redeem the May 2019 Senior Notes, in whole or in part, at a redemption price equal to 105% of the principal amount of the May 2019 Senior Notes, plus accrued and unpaid interest, if any, to (but excluding) the redemption date.

In October 2017, the Company issued US$160,000,000 aggregate principal amount of 8.00% Senior Secured Notes due 2018 (the "October 2018 Senior Notes"). The October 2018 Senior Notes, bearing interest at a fixed rate of 8.0% per annum with interest payable semi-annually in arrears, will mature in October 2018.

In November 2017, the Company issued US$300,000,000 aggregate principal amount of 8.25% Senior Secured Notes due 2018 (the "November 2018 Senior Notes") which are listed on the Stock Exchange (Stock Code: 5016). The November 2018 Senior Notes, bearing interest at a fixed rate of 8.25% per annum with interest payable semi-annually in arrears, will mature in November 2018.

The directors of the Company (the "Directors") consider the Senior Notes will enlarge the cashflow of the Company and strengthen its financial position.

Net Gearing Ratio

The net gearing ratio of the Group improved significantly, the ratio dropped significantly from 150.2% as at 31 December 2016 to 125.6% as at 31 December 2017. The net gearing ratio was measured by net debt (bank and other borrowings and senior notes net of bank balances and cash and pledged/restricted bank deposits) over the total equity.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank deposits, borrowings and deposits paid for a life insurance policy, the Group does not have any other material direct exposure to foreign exchange fluctuations. In 2017, though RMB appreciated against U.S. dollar and Hong Kong dollar, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

The Group will closely monitor the exchange rate risk regularly and make foreign exchange hedging arrangement when necessary. The Group considers that no foreign exchange hedging arrangement is needed currently.

During the years ended 31 December 2016 and 2017, the Group did not use any financial instruments for hedging purposes.

Commitments

As at 31 December 2017, the Group committed payment for the construction and land development expenditure amounting to approximately RMB3,473.8 million (as at 31 December 2016: approximately RMB3,696.9 million).

Contingent Liabilities

As at 31 December 2017, the Group had provided guarantees amounting to approximately RMB4,586.9 million (as at 31 December 2016: approximately RMB3,376.4 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 will be released upon the purchaser obtaining the relevant building ownership certificate and completion of the relevant mortgage registration. In the opinion of the Directors, no provision for the guarantee contracts was recognised in the financial statements for the year ended 31 December 2017 as the possibility of default by the purchasers of the Group's properties is remote.

Material Acquisitions and Disposals

In June 2017, the Group completed the acquisition of the entire equity interest in Yangzhou Jialian Property Development Co., Limited* (揚州嘉聯置業發展有限公司), which holds a mixed-use property development project under construction located at Yangzhou City, Jiangsu Province, the PRC. Please refer to the Company's announcement dated 30 June 2017 for further details.

On 6 September 2017, Xiangyuan Property Development Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with San Kin Tai Property Development Limited to acquire two parcels of land Lot TN20 and Lot TN24 located at Taipa District of Macau for a consideration of HK$3,510 million. The acquisition was completed in November 2017. Please refer to the Company's announcement dated 6 September 2017 and circular dated 13 October 2017 respectively for further details.

On 16 November 2017, Nanjing Gangyuan Investment Consulting Co., Ltd.* (南京港源投資諮詢有限公司), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Jiangsu Dehua Property Development Co., Ltd.* (江蘇地華房地產開發有限公司) in respect of the acquire of the entire equity interest in Yangzhou Yurun Property Development Co., Ltd* (揚州雨潤房地產開發有限公司), which holds two property development projects located at Guangling District, Yangzhou City, Jiangsu Province, the PRC, for a consideration of RMB2,450 million. The acquisition was completed in November 2017. Please refer to the Company's announcement dated 16 November 2017 for further details.

On 29 December 2017, Jiayuan (Shenzhen) Investment Consulting Co., Ltd.* (佳源(深圳)投資諮詢有限公司), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Ms. Yuan Aiqing, Mr. Xu Yanfeng, and Shenzhen Songling Industrial Co., Ltd.* (深圳市松齡實業有限公司) ("Shenzhen Songling") for a consideration of RMB320 million to further acquire the remaining 51% equity interest in Shenzhen Songling. The acquisition was completed in December 2017 and Shenzhen Songling became a wholly-owned subsidiary of the Company. Please refer to the Company's announcements dated 29 December 2017 and 30 December 2016 for further details.

Save as disclosed in the above announcements and circular, the Group did not have any material acquisitions and disposals during the year ended 31 December 2017.

Events After the Reporting Period

On 11 January 2018, the Company issued US$250,000,000 aggregate principal amount of 8.125% Senior Secured Notes due 2019 (the "January 2019 First Senior Notes") which are listed on the Stock Exchange (Stock Code: 5088). The January 2019 First Senior Notes, bearing interest at a fixed rate of 8.125% per annum with interest payable semi-annually in arrears, will mature in January 2019.

* *For identification purpose only*

The Company may redeem the January 2019 First Senior Notes upon giving not less than 15 days' nor more than 60 days' notice, in whole but not in part, at redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the redemption date.

The Company may at any time redeem the January 2019 First Senior Notes, in whole or in part, at any time, at a redemption price equal to 101% of the principal amount of the January 2019 First Senior Notes, plus accrued and unpaid interest, if any, to the redemption date. The Company must make an offer to repurchase all January 2019 First Senior Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of a change of control triggering event as set out in the offering circular for the January 2019 First Senior Notes.

On 15 January 2018, the Company issued US$50,000,000 aggregate principal amount of 8.00% Senior Notes due 2019 (the "January 2019 Second Senior Notes"). The January 2019 Second Senior Notes, unless previously redeemed pursuant to the terms and conditions of the January 2019 Second Senior Notes, will mature on 14 January 2019.

At any time, the Company may, with the prior written consent from all holders of the January 2019 Second Senior Notes, redeem all of the January 2019 Second Senior Notes at a redemption price equal to the sum of (i) the principal amount outstanding on the January 2019 Second Senior Notes, (ii) all accrued and unpaid interest of the January 2019 Second Senior Notes, (iii) all unpaid default interest (if any) accrued on the January 2019 Second Senior Notes and (iv) 2.7% of the outstanding principal amount of the January 2019 Second Senior Notes.

On 8 March 2018, Jiayuan (Shenzhen) Investment Consulting Co., Ltd.* (佳源(深圳)投資諮詢有限公司) ("Jiayuan Shenzhen") and Guizhou Hengfeng Weiye Property Development Co., Ltd.* (貴州恒豐偉業房地產開發有限公司) ("JV Partner") entered into the cooperation agreement to establish a joint venture as a limited liability Company ("Guiyang JV") for the purpose of investing into the shanty town redevelopment project in respect of a parcel of land located at Nanming District, Guiyang City, Guizhou Province, the PRC. Upon establishment, Guiyang JV will be owned as to 61% and 39% by Jiayuan (Shenzhen) and JV Partner respectively. Guiyang JV shall have a registered capital of RMB10,000,000, which shall be contributed by Jiayuan (Shenzhen) as to RMB6,100,000 and JV Partner as to RMB3,900,000. Please refer to the Company's announcement dated 8 March 2018 for further details.

Principal Risks and Uncertainties

Given that the Group is engaged in property development in the PRC, risks and uncertainties of its business are principally associated with property market and property prices in the PRC, and the Group's revenue in the future will be directly affected by such risks and uncertainties. Property market in the PRC is affected by a number of factors which include, inter alia, economic environment, property supply and demand, fiscal and monetary and taxation policies of the PRC government and regulatory measures of real estate sector, etc. The Gross Domestic Product of the PRC has maintained a year-on-year growth though the growth rate has been slowed down gradually. Currently, property portfolio of the Group comprised of 32 properties in various cities in the PRC, comprising 24 residential complexes and 8 commercial complexes located in cities such as Nanjing, Yangzhou, Suzhou, Nantong, Zhenjiang, Taizhou and Suqian. The Group first set foot in Guangdong Province in 2016 by acquiring two quality projects in Shenzhen and later established its presence in Macau during 2017, further expanding its quality land bank in Guangdong-Hong Kong-Macau Greater Bay Area. Therefore, it is effectively diversifying operational risks.

Future Plans for Material Investments

The Group will continue to invest in its property development projects and acquire suitable land parcels in selected cities, if it thinks fit. These investments will be funded by internal resources, external borrowings and proceeds from the global offering. Save as disclosed above, the Group did not have any future plans for material investments as at the date of this annual report.

Placing and Subscription of Shares

On 6 June 2017, Mingyuan Group Investment Limited ("Mingyuan Investment"), Haitong International Securities Company Limited and Huarong International Securities Limited (the "First Placing Agents") and the Company entered into a placing agreement, pursuant to which, Mingyuan Investment agreed to sell and the First Placing Agents, as agents of Mingyuan Investment, agreed to place, on a best effort basis, a total of up to 352,500,000 existing ordinary shares of the Company (the "First Placing Shares") at the placing price of HK$3.35 per share (the "First Placing"). The placing price of HK$3.35 per share represents a discount of approximately 11.61% to the closing price of HK$3.79 per share quoted on the Stock Exchange on 6 June 2017, being the last full trading date immediately before the date of the placing agreement.

On the same date, Mingyuan Investment and the Company entered into a subscription agreement, pursuant to which, Mingyuan Investment agreed to subscribe for up to 352,500,000 new ordinary shares (the "First Subscription Shares") of the Company at the price of HK$3.35 per subscription share. Pursuant to the said subscription agreement, Mingyuan Investment should subscribe for such number of new shares of the Company which was equal to the total number of the First Placing Shares (the "First Subscription"). The total nominal value of the First Subscription Shares was HK$3.525 million.

The First Placing and the First Subscription of a total of 352,500,000 ordinary shares of the Company were completed on 9 June 2017 and 19 June 2017 respectively. A total of 352,500,000 First Placing Shares were successfully placed at the placing price of HK$3.35 per share to not less than six independent placees selected and/or procured by or on behalf of the First Placing Agents. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the placees and its ultimate beneficial owner(s) is independent of and not connected with Mingyuan Investment, the Company and its connected persons or any of their respective associates. None of the placees and their ultimate beneficial owner(s) has become a substantial shareholder (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company upon taking up the First Placing Shares. A total of 352,500,000 First Subscription Shares (equal to the number of the First Placing Shares successfully placed under the First Placing) were subscribed by Mingyuan Investment at the subscription price of HK$3.35 per share. The Company intends to use the net proceeds of approximately HK$1,166.5 million from the First Placing and the First Subscription primarily for acquisition of land bank and general working capital. The net subscription price per share is approximately HK$3.31.

Please refer to the Company's announcements dated 6 June 2017 and 19 June 2017 for further details.

On 18 December 2017, Mingyuan Investment, Huajin Securities (International) Limited, Head & Shoulders Securities Limited and Yue Xiu Securities Company Limited (the "Second Placing Agents") and the Company entered into a placing agreement, pursuant to which, Mingyuan Investment agreed to sell and the Second Placing Agents, as agents of Mingyuan Investment, agreed to place, on a best effort basis, a total of up to 232,000,000 existing ordinary shares of the Company (the "Second Placing Shares") at the placing price of HK$6.11 per share (the "Second Placing"). The placing price of HK$6.11 per share represents a discount of approximately 7.56% to the closing price of HK$6.61 per Share quoted on the Stock Exchange on 18 December 2017, being the last trading date immediately prior to the date of the placing agreement.

On the same date, Mingyuan Investment and the Company entered into a subscription agreement, pursuant to which, Mingyuan Investment agreed to subscribe for up to 232,000,000 new ordinary shares (the "Second Subscription Shares") of the Company at the price of HK$6.11 per subscription share. Pursuant to the said subscription agreement, Mingyuan Investment should subscribe for such number of new shares of the Company which was equal to the total number of the Placing Shares (the "Second Subscription"). The total nominal value of the Second Subscription Shares was HK$2.320 million.

The Second Placing and the Second Subscription of a total of 232,000,000 ordinary shares of the Company were completed on 27 December 2017 and 28 December 2017 respectively. A total of 232,000,000 Second Placing Shares were successfully placed at the placing price of HK$6.11 per Share to not less than six independent placees selected and/or procured by or on behalf of the Second Placing Agents. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the placees and its ultimate beneficial owner(s) is independent of and not connected with Mingyuan Investment, the Company and its connected persons or any of their respective associates. None of the placees and their ultimate beneficial owner(s) has become a substantial shareholder (as defined under the Listing Rules) of the Company upon taking up the Second Placing Shares.

A total of 232,000,000 Second Subscription Shares (equal to the number of the Second Placing Shares successfully placed under the Second Placing) were subscribed by Mingyuan Investment at the Subscription Price of HK$6.11 per Share. The Company intends to use the net proceeds of approximately HK$1,399.8 million from the Second Placing and the Second Subscription primarily for acquisition of land bank and general working capital. The net subscription price per share is approximately HK$6.03.

Please refer to the Company's announcements dated 18 December 2017 and 28 December 2017 for further details.

The Directors consider the placing will enlarge the shareholder and capital base of the Company and strengthen its financial position.

Employees, Remuneration Policies and Share Option Scheme

As at 31 December 2017, the Group had approximately 441 employees (as at 31 December 2016: 498 employees). For the year ended 31 December 2017, the Group incurred employee costs of approximately RMB59.3 million (as at 31 December 2016: approximately RMB41.2 million). Remuneration for the employees generally includes salary and performance-based bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Company adopted a share option scheme on 12 February 2016 as incentive for eligible employees.

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Shum Tin Ching (沈天晴), aged 59, is the chairman of the board of Directors (the "Board"), the non-executive Director, the chairman of the Nomination Committee of the Company and the founder of the Group. He was appointed as a Director on 5 May 2015 and designated as the non-executive Director on 27 July 2015 for the purposes of enhancing management independence and corporate governance. Mr. Shum's principal responsibilities include overall strategic planning of the Group, and he will not participate in the day-to-day management of the business operations of the Group. He is also an executive director of Boyuan Holdings Limited (Stock Code: BHL), a listed company in Australia. Mr. Shum graduated from Zhejiang Broadcasting and Television College* (浙江廣播電視大學) and obtained a diploma in Industrial Enterprise Management in December 1986. He was recognised as a senior economist by Human Resource Department of Zhejiang Province* (浙江省人事廳) in December 2006. Mr. Shum has approximately 22 years of experience in the industry of real estate development. In 1995, he founded Jia Yuan Chuangsheng Holding Group Co., Ltd.* (佳源創盛控股集團有限公司) ("Jia Yuan Chuangsheng") (formerly known as Jiaxing Zujia Property Development Co., Ltd.* (嘉興足佳房地產開發有限公司)), a company principally engaged in property development in Jiaxing, Zhejiang Province of the PRC, and has acted as a director of Jia Yuan Chuangsheng since April 1995. Mr. Shum is also the sole director of the Company's controlling shareholder, Mingyuan Investment since 4 May 2015. Mr. Shum is the spouse of Ms. Wang Xinmei.

EXECUTIVE DIRECTORS

Mr. Huang Fuqing (黃福清), aged 56, is the vice chairman of the Board and an executive Director. He was appointed as an executive Director on 27 July 2015 and the vice chairman of the Board on 19 August 2016. He is primarily responsible for (i) overseeing the day-to-day operation and overall management of the Group, and (ii) the Group's real estate development projects located in Jiangsu Province of the PRC. He is also a director of certain subsidiaries of the Group. Mr. Huang has approximately 19 years of experience in the industry of real estate development. He has been working as the general manager (in mainland China) of Hong Kong Jia Yuan Holdings Limited ("Hong Kong Jia Yuan") since December 2014 and the general manager of Nanjing Xinhaoning Property Development Co., Ltd.* (南京新浩寧房地產開發有限公司) since September 2014. From September 2013 to December 2014, he took up the position of the general manager of Changzhou Jinyuan Property Development Co., Ltd.* (常州金源房地產開發有限公司) ("Changzhou Jinyuan"). He worked in Zhejiang Jia Yuan Property Group Co., Ltd.* (浙江佳源房地產集團有限公司) ("Zhejiang Jia Yuan Group") from January 2011 till he resigned from the position of the executive general manager in December 2014. Mr. Huang also participated in the preparation for and was responsible for the day-to-day management of Zijin Mansion, the Group's property development project in Nanjing of the PRC which is under development and to be completed by 2018. Formerly, Mr. Huang served as the general manager of Changzhou Tian Yu Property Development Co., Ltd.* (常州天宇房地產開發有限公司) ("Changzhou Tian Yu") from January 2010 to December 2010, the general manager of Changzhou Zhongchuang Property Development Co., Ltd.* (常州市中創房地產開發有限公司) from December 2002 to December 2009, and the manager of Changzhou City Changxin Property Development Co., Ltd.* (常州市常信房地產開發有限公司) from December 1998 to December 2002.

Ms. Cheuk Hiu Nam (卓曉楠), aged 43, is an executive Director, the Chief Executive Officer and a member of the Remuneration Committee of the Company. Ms. Cheuk was appointed as an executive Director on 27 July 2015. She is primarily responsible for overall administration and human resource of the Group. She is also a director of certain subsidiaries of the Group. Ms. Cheuk has approximately 15 years of experience in management. Ms. Cheuk has been working as the general manager of Hong Kong Jia Yuan since January 2014. Formerly, Ms. Cheuk worked at Hong Kong Institute of Technology and took up the positions of the Dean of Faculty of Business, the Vice President, the chairperson of the Quality Assurance Committee, the chairperson of the Student Affairs Committee, a member of the Board of Governors, a member of the Academic Board and a member of Finance Sub-Committee from February 2003 to November 2013, of which she was responsible for overall management, strategic and academic planning as well as supervising the financial matters and the human resource. Ms. Cheuk graduated from Pace University (New York) and obtained a master degree of science in June 2001. She graduated from University of London and obtained a master degree of science in December 1997. Previously, she graduated from The Chinese University of Hong Kong and obtained a bachelor degree in Business Administration in May 1995.

Mr. Wang Jianfeng (王建鋒), aged 50, is an executive Director. Mr. Wang was appointed as an executive Director on 27 July 2015. He is primarily responsible for strategic planning and identifying of new real estate development projects for the Group. He is also a director of certain subsidiaries of the Group. Mr. Wang has approximately 27 years of experience in the real estate development industry. He has been working as the deputy general manager of Hong Kong Jia Yuan since January 2014. Formerly, Mr. Wang worked as the deputy general manager of the strategic development center of Zhejiang Jia Yuan Group from June 2012 to February 2013, the general manager of Huzhou Xinyuan Construction Management Co., Ltd.* (湖州鑫源建設管理有限公司) from December 2009 to June 2012, the general manager of Jia Yuan Chuangsheng from July 2009 to November 2009, the general manager of Hangzhou Yinxi Jiulong Property Development Co., Ltd.* (杭州銀溪九龍房地產開發有限公司) from 2006 to 2008, the deputy general manager of Hangzhou Sanyou Property Development Co., Ltd.* (杭州三優房地產開發有限公司) from 1998 to the end of 2005, and the construction team leader of Shanghai Branch of Ganjianyi Company* (甘建一公司上海分公司) from 1991 to 1998. Mr. Wang graduated from Shanghai Architecture and Engineering College* (上海建築工程學院) and obtained a diploma in Industrial and Civil Architecture in September 1990.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tai Kwok Leung, Alexander (戴國良), aged 60, was appointed as an independent non-executive Director on 12 February 2016, and is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

Mr. Tai graduated from the Victoria University of Wellington in New Zealand and obtained a bachelor degree in Commerce and Administration in April 1982. He became an associate member of the Hong Kong Institute of Certified Public Accountants in October 1983.

Mr. Tai has been working as a partner of VMS Securities Limited, a licensed corporation under the Securities and Futures Ordinance (the "SFO") to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities since August 2017.

Mr. Tai is an independent non-executive director, the chairman of the audit committee, and a member of the remuneration committee and nomination committee of G & M Holdings Limited (Stock Code: 6038), an independent non-executive director, the chairman of the remuneration and nomination committee and a member of the audit committee of Anhui Conch Cement Company Limited (Stock Code: 914) and an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and nomination committee of Luk Fook Holdings (International) Limited (Stock Code: 590), which are all listed on the Main Board of the Stock Exchange. Mr Tai was formerly a non-executive director of First Credit Finance Group Limited (Stock Code: 8215), which is listed on the GEM of the Stock Exchange, from September 2010 to April 2013 and an independent non-executive director of Honghua Group Limited (Stock Code: 196), which is listed on the Main Board of the Stock Exchange, from January 2008 to March 2014. Mr. Tai was also formerly a director of Investec Capital Asia Limited from August 2007 to July 2017. Mr. Tai is a member of Shandong Committee of the Chinese People's Political Consultative Conference.

Dr. Cheung Wai Bun, Charles (張惠彬) *JP,* aged 81, was appointed as an independent non-executive Director on 12 February 2016, and is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company.

Dr. Cheung holds an honorary doctor's degree awarded by John Dewey University of USA in 1984, a master degree in Business Administration and a bachelor of science degree in Accounting and Finance awarded by New York University U.S.A. in June 1962 and February 1960, respectively. He was awarded Listed Company Non-Executive Director Award of 2002 by the Hong Kong Institute of Directors. In December 2010, Dr. Cheung received three awards, namely (1) Outstanding Management Award issued by The Chartered Management Association; (2) Outstanding Director Award issued by The Chartered Association of Directors; and (3) Outstanding CEO Award issued by The Asia Pacific CEO Association.

Dr. Cheung is currently working as a director and the vice chairman of the executive committee of Metropolitan Bank (China) Ltd. (首都銀行(中國)有限公司). In addition, Dr. Cheung is presently a council member of the Hong Kong Institute of Directors, a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital, and a member of Regional Advisory Committee of Kowloon, Hospital Authority. Dr. Cheung was formerly the chief executive and the executive deputy chairman of Mission Hills Group, Hong Kong from 1995 to 2007, and a former director and an adviser of the Tung Wah Group of Hospitals (東華三院) during the period from April 1981 to March 1983.

Dr. Cheung is a chairman of Joy Harvest International Limited. He was formerly a director and supervisor of audit committee of China Resources Bank of Zhuhai Co. Ltd., from December 2009 to January 2016 and an independent non-executive director of Shanghai Electric Group Company Limited (Stock Codes: 2727 (Hong Kong), which is listed on the Main Board of the Stock Exchange, from November 2007 to February 2014, and A Stock 601727 (Shanghai), which is listed on the Shanghai Stock Exchange, from April 2005 to February 2014). He is also an independent non-executive director of Pioneer Global Group Limited (Stock Code: 224), Universal Technologies Holdings Limited (Stock Code: 1026), China Financial International Investments Limited (Stock Code: 721), Modern Dental Group Limited (Stock Code: 3600), China Taifeng Beddings Holdings Limited (Stock Code: 873) and Fullsun International Holdings Group Co., Limited (formerly known as "U-RIGHT International Holdings Limited") (Stock Code: 627), which are all listed on the Main Board of the Stock Exchange. Dr. Cheung is a non-executive director of Galaxy Entertainment Group Limited (Stock Code: 27), which is listed on the Main Board of the Stock Exchange. Dr. Cheung is an independent non-executive director of Yin He Holdings Limited (Stock Code: 8260), which is listed on the GEM of the Stock Exchange. Dr. Cheung was formerly an independent non-executive director and chairman, subsequently Co-chairman of the board of Grand T G Gold Holdings Limited (Stock Code: 8299), from July 2009 to March 2016, and an executive director and the chairman of the board of directors of Roma Group Limited (Stock Code: 8072), from June 2017 to December 2017, which are all listed on the GEM of the Stock Exchange. He possesses extensive banking, finance and commercial experiences.

Mr. Gu Yunchang (顧雲昌), aged 73, was appointed as an independent non-executive Director on 12 February 2016 and is a member of each of the Audit Committee and Nomination Committee of the Company. Mr. Gu was the vice chairman of the China Real Estate Research Association* (中國房地產研究會) from 2006 to May 2013 and the vice chairman and secretary-general of the China Real Estate Association* (中國房地產業協會) from 1998 to 2006.

Mr. Gu formerly held different positions of the Ministry of Construction of the PRC (中華人民共和國建設部), including the deputy director at the Policy Research Centre of Ministry of Construction of the PRC* (中華人民共和國建設部政策研究中心) from December 1988 to July 1998, the Deputy Division Head and Division Head at Urban Residence Bureau of Ministry of Construction* (中華人民共和國建設部城市住房局) in 1982 and 1985, respectively.

Mr. Gu graduated from Tongji University (同濟大學) and specialised in Urban Planning in July 1966. Mr. Gu specialises in theory and policy research, market research and analysis concerning China real estate industry. In the 1980s, he participated in the policy research and formulation of city and village residential construction techniques in China, leading the project "2000 China", and won the First Class National Science Technology Advance Award in China in April 1988 and December 1989 respectively.

Mr. Gu was an independent non-executive director of E-House (China) Holdings Limited (Stock Code: EJ), which is listed on the New York Stock Exchange, from August 2008 to March 2014 and an independent non-executive director and a member of the audit committee, nomination committee and remuneration committee of Sino-Ocean Group Holding Limited (formerly known as "Sino-Ocean Land Holdings Limited") (Stock Code: 3377), which is listed on the Main Board of the Stock Exchange, from June 2007 to March 2016. Mr. Gu is currently an independent non-executive director of CIFI Holdings (Group) Co., Ltd. (Stock Code: 884) and Sunshine 100 China Holdings Ltd. (Stock Code: 2608), which are all listed on the Main Board of the Stock Exchange. Mr. Gu is also an independent non-executive director of COFCO Property (Group) Co., Ltd. (Stock Code: 31) and Zhejiang Yasha Decoration Co., Ltd. (Stock Code: 2375), which are all listed on the Shenzhen Stock Exchange.

Save as disclosed above, as at the date of this annual report, each of the Directors mentioned above:

(a) did not hold any other position in the material subsidiaries of the Group;

(b) did not hold any directorship in any other listed company in the last three years;

(c) did not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Listing Rules) of the Company; and

(d) is not a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall be to disclosed to the Company under the provisions of Division 2 and 3 Part XV of the SFO.

SENIOR MANAGEMENT

Mr. Yuan Zhaolin (袁兆林), aged 47, is the general manager of Hengli Property Nantong Limited (恒力房地產南通有限公司) since June 2016 and the general manager of Yangzhou Mingyuan Property Development Co., Ltd.* (揚州明源房地產開發有限公司) ("Yangzhou Mingyuan"), and has been involved in the Group's business since April 2009. He is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Yangzhou, Jiangsu Province of the PRC.

Mr. Yuan has approximately 14 years of experience in the industry of real estate development. He took up the position of assistant general manager and deputy general manager of Yangzhou Mingyuan from April 2009 to August 2011 and from August 2011 to January 2013, respectively. Mr. Yuan was subsequently promoted to the position of general manager of Yangzhou Mingyuan in January 2013 and has since acted as the general manager of Yangzhou Mingyuan. Mr. Yuan also participated in the preparation for and was responsible for the day-to-day management of the following property development projects in Yangzhou and Nantong: (i) Jiayuan Centurial Garden, (ii) Jiayuan Centurial Villa, and (iii) Nantong Jiayuan Metropolis. Formerly, Mr. Yuan worked as the deputy general manager and was subsequently promoted to the position of general manager of Yangzhou Changxin Real Estate Development Co., Ltd.* (揚州常信房地產開發有限公司), a property developer in China, during the period from January 2003 to April 2009. He worked as an officer in Jiangdu City Affordable Housing Development Center* (江都市經濟適用房發展中心) in 2001. Mr. Yuan graduated from Yangzhou University (揚州大學) with a diploma in Housing Architecture and Engineering in June 1995. He was recognised by Yangzhou Municipal Review Committee of Middle Level Technological Qualification in Construction and Engineering* (揚州市建設工程中級專業技術資格評委員) as an engineer in November 2002.

Ms. Gao Yan (高豔), aged 43, is the general manager of Yangzhou Xiangjiang New City Centre Property Limited* (揚州香江新城市中心置業有限公司) since June 2016 and the general manager of Taixing Guangyuan Property Development Co., Ltd.* (泰興市廣源房地產開發有限公司) ("Taixing Guangyuan"), and has been involved in the Group's business since July 2003. Ms. Gao is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Taixing, Jiangsu Province of the PRC. Ms. Gao also acts as a director of Yangzhou Hengyuan Property Development Co., Ltd.* (揚州市恒源房地產開發有限公司) ("Yangzhou Hengyuan") (formerly known as Jiangdu Hengyuan Property Development Co., Ltd.* (江都市恒源房地產開發有限公司)) and Taixing Guangyuan, respectively.

Ms. Gao has approximately 14 years of experience in the industry of real estate development. She served as the general manager of Taixing Guangyuan from February 2014 to August 2015 and the general manager of Taixing Hengyuan Property Development Co., Ltd.* (泰興市恒源房地產開發有限公司) ("Taixing Hengyuan") from August 2013 to February 2014. Ms. Gao also participated in the preparation for and was responsible for the day-to-day management of the following property development projects: (i) Yangzhou Centurial Scenery Park and (ii) Yangzhou Centurial City. Formerly, Ms. Gao worked as the finance manager and the general manager of Yangzhou Hengyuan from July 2007 to August 2012 and the finance manager of Yangzhou Guangyuan Property Development Co., Ltd.* (揚州廣源房地產開發有限公司) ("Yangzhou Guangyuan") (formerly known as Jiangdu Guangyuan Property Development Co., Ltd.* (江都市廣源房地產開發有限公司)) from July 2003 to June 2007.

Ms. Gao graduated from Jiangsu Broadcasting and Television College* (江蘇廣播電視大學) and obtained a diploma in Finance and Accounting in July 1994. She has been recognised by the Ministry of Finance of the PRC as an intermediate accountant since September 2003.

Ms. Qiu Xiangming (邱祥明), aged 41, is the assistant executive officer of the Group and the general manager of operation management center. She worked as the general manager of Changzhou Jinyuan form February 2014 to March 2018, and has been involved in the Group's business since January 2011. Ms. Qiu is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Changzhou, Jiangsu Province of the PRC. Ms. Qiu has approximately 14 years of experience in the industry of real estate development. She worked as the manager of Zhejiang Jia Yuan Group from January 2011 to August 2013. Ms. Qiu acted as the vice general manager of Changzhou Jinyuan from August 2013 to December 2014 and was subsequently promoted to the position of general manager in December 2014 and has since acted as the general manager of Changzhou Jinyuan. Ms. Qiu also participated in the preparation for and was responsible for the day-to-day management of Xueyan Jiayuan Central Plaza, the Group's property development project in Changzhou of the PRC. Formerly, Ms. Qiu worked as the deputy general manager of Changzhou Tian Yu from January 2010 to December 2010 and a director of Changzhou Zhongchuang Real Estate Development Co., Ltd.* (常州中創房地產開發有限公司), a property developer in the PRC, from December 2003 to December 2009. Ms. Qiu graduated from Changzhou Institute of Technology* (常州工學院) and obtained a diploma in Accounting in January 2008. She was recognised as a junior accountant by the Finance Department of the PRC since May 2006.

Mr. Zhang Chun Kai (張純楷), aged 46, has been the general manager of Taixing Hengyuan and the general manager of Taixing Mingyuan Property Development Co., Ltd.* (泰興市明源房地產開發有限公司) ("Taixing Mingyuan") since August 2014. He has been involved in the Group's business since September 2013. Mr. Zhang participated in the daily operation and the day-to-day management of the real estate development projects under Taixing Huangqiao project: (1) Taizhou and Taixing Jiayuan Central Plaza, (2) Taizhou Jiayuan Mingfu, and (3) Taizhou and Guxi Jiayuan Central Plaza.

Prior to joining our Group, Mr. Zhang has served as an officer in the Construction Committee of Lixin County, Auhui Province* (安徽省利辛縣建設委員會). Mr. Zhang is a postgraduate specializing in industrial and civil construction.

Mr. Hang Xuejun (杭學軍), aged 54, has been the general manger of Yangzhou Jialian Property Development Co., Limited* (揚州市嘉聯房地產開發有限公司) ("Yangzhou Jialian") since March 2017 and has been involved in the Group's business since 2013. He is primarily responsible for management and overseeing the day-to-day operation of the Group's real estate development projects located in Taizhou, Jiangsu Province of the PRC. He has approximately 6 years of experience in the industry of real estate development. Mr. Hang also participated in the preparation for and was responsible for the day-to-day management of the real estate development projects in Taizhou: (1) Oriental Bright City, (2) Oriental Paris City and (3) Quexiandao Number One. Prior to joining the Group, Mr. Hang has worked in the water resources department of Jiangdu, the PRC for many years, and served as the director of Water Resources Bureau of Jiangdu County, the PRC and the Secretary of Party Committee from April 2000 to February 2007, and deputy director of Yangzhou Water Resources Bureau* (揚州市水利局) from March 2007 to January 2013. Mr. Hang graduated from East China Technical University of Water Resources (華東水利學院) majoring in fluid mechanics and possesses the professional qualification of senior engineer.

Save as disclosed above, as at the date of this annual report, each of the senior management mentioned above, (a) did not hold any other position in the material subsidiaries of the Group; and (b) did not have any relationship with other directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Listing Rules) of the Company.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the Company's 2017 Interim Report are set out below:

Mr. Tai Kwok Leung, Alexander has been a member of Shandong Committee of the Chinese People's Political Consultative Conference since January 2018.

Dr. Cheung Wai Bun, Charles, *JP* was appointed as an independent non-executive director and a member of the audit committee, nomination committee and remuneration committee of Fullsun International Holdings Group Co., Limited (formerly known as "U-RIGHT" International Holdings Limited) (listed on the Main Board of the Stock Exchange) (Stock Code: 627) on 14 December 2017 and resigned as an executive director and the chairman of the board of Roma Group Limited (Stock Code: 8072) (listed on the GEM Board of the Stock Exchange) on 18 December 2017.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The Board is pleased to present its report together with 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 principal activities of its subsidiaries are property development and property investment in China. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 67 and 68 of this annual report.

DIVIDENDS

The Board is committed to maintaining a stable dividend policy to ensure sustainable and steady returns for shareholders. After considering the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HK19 cents (2016: Nil) per share to shareholders whose names appear on the register of members of the Company on 21 June 2018.

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming annual general meeting of the Company; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto. A circular containing the details of the scrip dividend arrangement will be despatched to shareholders together with the form of election for scrip dividend on or about 28 June 2018. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to shareholders on or about 30 July 2018.

As at the date of this annual report, the Board was not aware that any shareholders of the Company had waived or agreed to any arrangement to waive dividends.

BUSINESS REVIEW

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are included in the section headed "Management Discussion and Analysis" from pages 6 to 21 of this annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 164 of this annual report.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 December 2017 are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year ended 31 December 2017 are set out in note 14 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of movements in the bank and other borrowings of the Group during the year ended 31 December 2017 are set out in note 27 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution under the Companies Laws of the Cayman Islands, consisted of share premium amounted to RMB3,216.1 million less accumulated losses amounted to RMB235.8 million and they are subject to a solvency test.

EQUITY-LINKED AGREEMENTS

Save the share option scheme of the Company as disclosed herein, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2017 or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the percentage of purchases attributable to the Group's five largest suppliers and the percentage of revenue attributable to the Group's five largest customers were less than 30% of the total purchases and total revenue of the Group respectively.

None of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have any interest in any of the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the year ended 31 December 2017 and up to the date of this report were:

Chairman and non-executive Director:

Mr. Shum Tin Ching

Executive Directors:

Mr. Huang Fuqing *(Vice Chairman)*
Ms. Cheuk Hiu Nam *(Chief Executive Officer)*
Mr. Wang Jianfeng

Independent non-executive Directors:

Mr. Tai Kwok Leung, Alexander
Dr. Cheung Wai Bun, Charles, *JP*
Mr. Gu Yunchang

In accordance with Article 84 of the Articles of Association of the Company, Mr. Shum Tin Ching, Mr. Huang Fuqing, Ms. Cheuk Hiu Nam and Mr. Tai Kwok Leung, Alexander shall retire at the forthcoming annual general meeting of the Company to be held on 13 June 2018 (the "Annual General Meeting"). All of the above retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 22 to 27 of this annual report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year ended 31 December 2017 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2017.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company on 12 February 2016 for a term of three years commencing from the Listing Date, and such service agreements may be terminated in accordance with the terms of the service agreements.

Each of the non-executive Director and independent non-executive Directors was appointed to the Board pursuant to their respective letters of appointment dated 12 February 2016, for an initial term of three years commencing from the Listing Date, and such appointment may be terminated in accordance with the terms of the letters of appointment.

All the Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Articles of Association of the Company.

Saved as disclosed herein, no Director proposed for re-election at the Annual General Meeting of the Company has a service contract that is not determinable within one year without payment of compensation, other than statutory compensation.

Each of the executive Directors is entitled to a basic salary pursuant to their respective service agreements, which is determined with reference to their responsibilities, experience, performance and the prevailing market conditions. In addition, each of them is entitled to a bonus of such amount as the Board may determine in respect of each complete financial year of the Company.

Each of the non-executive Director and independent non-executive Directors is entitled to a director's fee pursuant to their respective letters of appointment, which is determined with reference to their responsibilities, experience, performance and the prevailing market conditions. Save for director's fee, each of the non-executive Director and independent non-executive Directors is not expected to receive any other remuneration for holding his office as a non-executive Director or an independent non-executive Director respectively.

REMUNERATION OF THE DIRECTORS

Details of remuneration of the Directors during the year ended 31 December 2017 are set out in note 11 to the consolidated financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders of the Company has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the prospectus of the Company dated 26 February 2016 (the "Prospectus")). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders during the period commencing from the Deed of Non-Competition and up to the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed in the section headed "Relationship with the Controlling Shareholders" in the Prospectus, Mr. Shum Tin Ching is the ultimate owner of a group of real estate development companies (other than members of the Group) (the "Private Group"). Mr. Shum Tin Ching entered into the Deed of Non-Competition to provide certain non-compete undertakings in favour of the Company. Since the Listing Date and up to the date of this report, the Directors were not aware of any competing business between the Private Group and the Group.

Save as disclosed above, none of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules since the Listing Date and up to the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its controlling shareholders, or any of its subsidiaries or fellow subsidiaries was a party at any time during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Hong Kong Companies Ordinance. Such provision was in force during the year ended 31 December 2017 and remained in force as of the date of this report. The Company has also arranged appropriate directors' and officers' liability insurance for the directors and officers of the Group.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 12 February 2016 (the "Share Option Scheme"). The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, offer to grant an option to subscribe for ordinary shares with a par value of HK$0.01 each (the "Shares") of the Company subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as they may think fit, to the following persons (the "Eligible Participants"): (a) any full-time or part-time employees, executives or officers of the Company; (b) any director (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (d) such other persons who, in the sole opinion of the Directors, will contribute or have contributed to the Group.

A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 180,000,000 Shares, being 10% of the shares in issue as at the Listing Date. No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of Shares available for issue is 180,000,000 Shares, being approximately 7.3% of the Shares in issue as at the date of this report.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting.

The subscription price per Share under the Share Option Scheme shall be a price determined by the Directors, but shall not be lower than the higher of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years from the Listing Date. The period during which an option may be exercised will be determined by the Directors in their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

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

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

(a) Interest in Shares of the Company

Name of Director	Nature of interest	Number of shares or securities held(1)	Percentage of interest in the Company(5)
Mr. Shum Tin Ching(2)	Interest of a controlled corporation	1,350,000,000(3),(4) shares (L)	55.06%
	Interest of a controlled corporation	600,000,000(4) shares (S)	24.47%

Notes:

(1) The letters "L" and "S" denote the Director's long position and short position in the shares of the Company respectively.

(2) The disclosed interest represents the interest in the Company held by Mingyuan Investment, which is wholly-owned by Mr. Shum Tin Ching. Therefore, Mr. Shum Tin Ching is deemed to be interested in Mingyuan Investment's interest in the Company.

(3) On 19 December 2016, Mingyuan Investment entered into a share charge agreement with CTI Capital Management Limited, pursuant to which, Mingyuan Investment has agreed to pledge 280,000,000 shares out of 1,350,000,000 shares held by it in favour of CTI Capital Management Limited as one of the securities for a term loan granted by CTI Capital Management Limited to an Australian company with majority shares indirectly owned by Mr. Shum Tin Ching.

The 280,000,000 pledged shares have been released and the relevant procedures for the release of the pledge were completed on 23 June 2017.

(4) On 29 June 2017, Mingyuan Investment entered into a share mortgage agreement with CCB International Overseas Limited, pursuant to which, Mingyuan Investment agreed to pledge 600,000,000 shares out of 1,350,000,000 shares held by it in favour of CCB International Overseas Limited as one of the collaterals for a secured note issued by a company wholly owned by Mr. Shum Tin Ching to CCB International Overseas Limited.

(5) As at 31 December 2017, the total number of issued shares of the Company was 2,452,000,000.

(b) Interest in shares of Mingyuan Investment

Name of Director	Nature of interest	Number of shares or securities held(1)	Percentage of shareholding
Mr. Shum Tin Ching	Beneficial owner	1 share (L)	100%

Note:

(1) The letter "L" denotes the Director's long position in the share of Mingyuan Investment.

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES

So far as the Directors are aware as of 31 December 2017, the following persons (other than the Directors or chief executive of the Company) had the following interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholder	Nature of interest	Number of shares or securities held[1]	Percentage of interest in the Company[10]
Ms. Wang Xinmei[2]	Interest of spouse	1,350,000,000[4],[5] shares (L)	55.06%
	Interest of spouse	600,000,000[5] shares (S)	24.47%
Mingyuan Investment[3]	Beneficial owner	1,350,000,000[4],[5] shares (L)	55.06%
	Beneficial owner	600,000,000[5] shares (S)	24.47%
CCB International Overseas Limited[6],[8]	Person having a security interest in shares	600,000,000[5] shares (L)	24.47%
Design Time Limited[7]	Beneficial owner	9,200,000 shares (L)	0.38%
CCBI Investments Limited[7]	Interest of a controlled corporation	9,200,000 shares (L)	0.38%
CCB International (Holdings) Limited[6],[7],[8]	Person having a security interest in shares	600,000,000[5] shares (L)	24.47%
	Interest of a controlled corporation	9,200,000 shares (L)	0.38%
CCB Financial Holdings Limited[6],[7],[8]	Person having a security interest in shares	600,000,000[5] shares (L)	24.47%
	Interest of a controlled corporation	9,200,000 shares (L)	0.38%
CCB International Group Holdings Limited[6],[7],[8]	Person having a security interest in shares	600,000,000[5] shares (L)	24.47%
	Interest of a controlled corporation	9,200,000 shares (L)	0.38%
China Construction Bank Corporation[6],[7],[8]	Person having a security interest in shares	600,000,000[5] shares (L)	24.47%
	Interest of a controlled corporation	9,200,000 shares (L)	0.38%

Name of Substantial Shareholder	Nature of interest	Number of shares or securities held[1]	Percentage of interest in the Company[10]
Central Huijin Investment Ltd.[6],[7],[8]	Person having a security interest in shares	600,000,000[5] shares (L)	24.47%
	Interest of a controlled corporation	9,200,000 shares (L)	0.38%
China Orient Asset Management Corporation	Interest of a controlled corporation	142,100,000[9] shares (L)	5.80%
China Orient Asset Management (International) Holding Limited	Beneficial owner	142,100,000[9] shares (L)	5.80%
Wise Leader Assets Ltd.	Interest of a controlled corporation	142,100,000[9] shares (L)	5.80%
Dong Yin Development (Holdings) Limited	Interest of a controlled corporation	142,100,000[9] shares (L)	5.80%
China Shangdong Hi-Speed Financial Group Limited	Beneficial owner	127,522,000 shares (L)	5.20%

Notes:

(1) The letters "L" and "S" denote a person's/an entity's long position and short position in the shares of the Company respectively.

(2) Ms. Wang Xinmei, the spouse of Mr. Shum Tin Ching, is deemed to be interested in Mr. Shum Tin Ching's interest in the Company.

(3) These shares are held by Mingyuan Investment, which is wholly-owned by Mr. Shum Tin Ching.

(4) On 19 December 2016, Mingyuan Investment entered into a share charge agreement with CTI Capital Management Limited, pursuant to which, Mingyuan Investment has agreed to pledge 280,000,000 shares out of 1,350,000,000 shares held by it in favour of CTI Capital Management Limited as one of the securities for a term loan granted by CTI Capital Management Limited to an Australian company with majority shares indirectly owned by Mr. Shum Tin Ching.

The 280,000,000 pledged shares have been released and the relevant procedures for the release of the pledge were completed on 23 June 2017.

(5) On 29 June 2017, Mingyuan Investment entered into a share mortgage agreement with CCB International Overseas Limited, pursuant to which, Mingyuan Investment agreed to pledge 600,000,000 shares out of 1,350,000,000 shares held by it in favour of CCB International Overseas Limited as one of the collaterals for a secured note issued by a company wholly owned by Mr. Shum Tin Ching to CCB International Overseas Limited.

(6) Based on the public records, these security interest in shares are held by CCB International Overseas Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.

(7) Design Time Limited is a wholly-owned subsidiary of CCBI Investments Limited, which is a wholly-owned subsidiary of CCB International (Holdings) Limited.

(8) CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited, which is in turn a wholly-owned subsidiary of CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation, which is owned as to 57.11% by Central Huijin Investment Ltd..

(9) Based on the public records, these shares are held by China Orient Asset Management (International) Holding Limited, which is owned as to 50% by Wise Leader Assets Ltd. and as to 50% by Dong Yin Development (Holdings) Limited. Wise Leader Assets Ltd. is a wholly-owned subsidiary of Dong Yin Development (Holdings) Limited, which is in turn a wholly-owned subsidiary of China Orient Asset Management Corporation.

(10) As at 31 December 2017, the total number of issued shares of the Company was 2,452,000,000.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any person who had an interest or short position in the shares and the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

The Group entered into certain related party transactions with related parties during the year ended 31 December 2017 which constituted connected transactions or continuing connected transactions of the Group, details of which are set out in notes 40 to the consolidated financial statements. They do not constitute notifiable connected transaction under the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Group had entered into various transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules and will continue after the Listing Date. All the continuing connected transactions during the year that need to be disclosed herein are in compliance with the Listing Rules. The transaction amount of the continuing connected transactions of the Group for the year ended 31 December 2017 is set out below:

Connected Person	Nature of Transaction	Transaction Amount for Year Ended 31 December 2017 RMB'000
Exempt continuing connected transactions		
1. Jin Jiang Investment Limited[(1)]	License of trademarks to the Company	–
2. Zhejiang Jia Yuan Property Group Co., Ltd.[(2)]	License of trademarks to the Company	–
3. Jiangsu Five Star Appliance Co., Ltd.[(3)]	Procurement of appliance products	**951**
Non-exempt continuing connected transactions		
4. Zhejiang Xigu Digital Technology Co., Ltd. ("Zhejiang Xigu")[(4)]	Procurement of intelligent system equipment	**12,782**
5. Jiaxing City Deyu Electronics Technology Co., Ltd. ("Jiaxing Deyu")[(4)]	Procurement of intelligent system equipment	**1,871**
6. Jiaxing City Boyuan Architecture Design Co., Ltd. ("Jiaxing Boyuan")[(5)]	Provision of architectural design service	**14,429**
7. Zhejiang Jia Yuan Property Management Co., Ltd. ("Jia Yuan Property")[(6)]	Provision of property management service	**13,938**

Notes:

(1) Jin Jiang Investment Limited, a company incorporated under the laws of Hong Kong with limited liability on 8 November 2013, which is directly owned by Mr. Shum Tin Ching, a controlling shareholder of the Company, as to 100%.

(2) Zhejiang Jia Yuan Property Group Co., Ltd.* (浙江佳源房地產集團有限公司), a company established under the laws of the PRC with limited liability on 29 March 2004, which is ultimately owned by Mr. Shum Tin Ching, a controlling shareholder of the Company, as to 100%.

(3) Jiangsu Five Star Appliance Co., Ltd. (江蘇五星電器有限公司), a company established under the laws of the PRC with limited liability on 17 December 1998, which is indirectly owned by Mr. Shum Tin Ching.

(4) Zhejiang Xigu is a company indirectly controlled by Ms. Wang Xinmei, the spouse of Mr. Shum Tin Ching. Jiaxing Deyu is a wholly-owned subsidiary of Zhejiang Xigu. Both of Zhejiang Xigu and Jiaxing Deyu are principally engaged in the manufacture, installation and sale of software and system equipment.

In 2015, the Group entered into intelligent system equipment procurement agreements and purchased a variety of intelligent system equipment including security monitoring equipment, video intercom system, access control equipment and alarm system for some of the Group's property development projects.

On 12 February 2016, the Company entered into an intelligent system equipment procurement framework agreement with Zhejiang Xigu and Jiaxing Deyu to govern the procurement of intelligent system equipment by the Group for its property development projects effective from the Listing Date until 31 December 2018.

The annual cap for the year ended 31 December 2016 was RMB26.3 million. The annual caps for the two years ending 31 December 2017 and 2018 will be approximately RMB26.2 million and RMB13.3 million, respectively.

(5) Jiaxing Boyuan is a company indirectly wholly-owned by Mr. Shum Tin Ching, a controlling shareholder of the Company, and is principally engaged in project design and decoration.

In 2015, the Group engaged Jiaxing Boyuan for providing the Group with architecture design service for some of the Group's property development projects including (i) formulating the proposal, the preliminary design plan and the construction plan; and (ii) supervising the implementation of relevant design plan and construction plan for projects under construction.

On 12 February 2016, the Company entered into an architecture design service framework agreement with Jiaxing Boyuan to govern the provision of architecture design service by Jiaxing Boyuan to the Group for its property development projects effective from the Listing Date until 31 December 2018.

The annual cap for the year ended 31 December 2016 was RMB59.1 million. The annual caps for the two years ending 31 December 2017 and 2018 will be approximately RMB39.7 million and RMB31.4 million, respectively.

(6) Jia Yuan Property is a company indirectly wholly-owned by Mr. Shum Tin Ching, a controlling shareholder of the Company, and is principally engaged in property management.

In 2015, the Group engaged Jia Yuan Property for providing the Group with pre-delivery property management service including property maintenance, site security, gardening, cleaning and other ancillary services for all of the Group's property management projects prior to the establishment of an owners' committee of the relevant buildings developed by the Group.

On 12 February 2016, the Company entered into a property management service framework agreement with Jia Yuan Property to govern the provision of property management service by Jia Yuan Property to the Group for its property development projects effective from the Listing Date until 31 December 2018.

The annual cap for the year ended 31 December 2016 was RMB17.0 million. The annual caps for the two years ending 31 December 2017 and 2018 will be approximately RMB18.3 million and RMB20.7 million, respectively.

* *For identification purpose only*

The independent non-executive Directors confirmed that the above continuing connected transactions have been entered into in the ordinary and usual course of business of the Group on normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. The independent non-executive Directors further confirmed that the annual caps in respect of the above continuing connected transactions as disclosed in the Prospectus are fair and reasonable and in the interests of the Company and its 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 transactions abovementioned:

(i) have 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.

EMOLUMENT POLICY

A Remuneration Committee was set up to make recommendations on the Company's emolument policy and structure for all remuneration of the Directors and senior management of the Group on the basis of their merit, qualifications and competence.

The Company has adopted the Share Option Scheme as incentive to eligible employees, details of which are set out in the section headed "Share Option Scheme" of this report.

None of the Directors waived any emoluments during the year ended 31 December 2017.

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 pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

DONATIONS

During the year, the Group made charitable and other donations amounting to RMB2,437,000.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING AND THE ISSUE OF THE OVER-ALLOTMENT SHARES

The total net proceeds from the Listing amounted to approximately HK$1,216.7 million after consideration of over-allotment of approximately HK$167.4 million, which has been fully utilised in accordance with the proposed application set out in the section headed "Future plans and use of proceeds" in the Prospectus.

The additional net proceeds from the issue of the over-allotment shares after deducting the underwriting fees and commissions, transaction levy and trading fee relating to the exercise of the over-allotment option has been fully used by the Company on a pro rata basis for the purposes as set out in the section headed "Future plans and use of proceeds" in the Prospectus.

The Company did not apply any net proceeds for the purposes other than those disclosed in the Prospectus during the year ended 31 December 2017.

AUDIT COMMITTEE

The annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee of the Company. Information on the work of the Audit Committee and its composition are set out in section headed "Corporate Governance Report" on pages 40 to 48 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by Directors and employees who are likely to be in possession of unpublished inside information of the Company (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standards in the Model Code and the Code of Conduct throughout the year ended 31 December 2017.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" in this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by Messrs. Deloitte Touche Tohmatsu who shall retire at the Annual General Meeting. A resolution will be proposed at the Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company. There have been no changes in the auditor of the Company in the preceding three years.

On behalf of the Board

Shum Tin Ching
Chairman

Hong Kong, 27 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is committed to achieving high corporate governance standards.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

The Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2017.

The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions by directors and employees who are likely to be in possession of unpublished inside information of the Company (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code and the Code of Conduct throughout the year ended 31 December 2017.

No incident of non-compliance of the Code of Conduct by the relevant employees was noted by the Company during the year ended 31 December 2017. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

THE GROUP'S PERFORMANCE

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are included in the section headed "Management Discussion and Analysis" from pages 6 to 21 of this annual report.

Board Composition

The Board currently comprises the following Directors:

Chairman and non-executive Director:

Mr. Shum Tin Ching *(chairman of Nomination Committee)*

Executive Directors:

Mr. Huang Fuqing *(Vice Chairman)*
Ms. Cheuk Hiu Nam *(Chief Executive Officer and member of Remuneration Committee)*
Mr. Wang Jianfeng

Independent non-executive Directors:

Mr. Tai Kwok Leung, Alexander
(chairman of Audit Committee and member of Remuneration Committee)
Dr. Cheung Wai Bun, Charles, *JP*
(chairman of Remuneration Committee and member of Audit Committee and Nomination Committee)
Mr. Gu Yunchang
(member of Audit Committee and Nomination Committee)

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 22 to 27 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Shum Tin Ching and Ms. Cheuk Hiu Nam respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent non-executive Directors

During the year ended 31 December 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years commencing from the Listing Date, subject to renewal after the expiry of the then current term.

The Company's Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment.

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The retiring Directors shall be eligible for re-election.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2017, the Company organized two training sessions for all Directors. Such training sessions covered a wide range of relevant topics including directors' duties and responsibilities etc.

The record of continuous professional development relating to directors' duties and regulatory and business development that have been received by the Directors for the year ended 31 December 2017 are summarised as follows:

Directors	Type of Training *Note*
Non-executive Director	
Mr. Shum Tin Ching	A
Executive Directors	
Mr. Huang Fuqing	A
Ms. Cheuk Hiu Nam	A
Mr. Wang Jianfeng	A
Independent non-executive Directors	
Mr. Tai Kwok Leung, Alexander	A
Dr. Cheung Wai Bun, Charles, *JP*	A, B
Mr. Gu Yunchang	A, B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the independent non-executive Directors without the presence of executive Directors during the year ended 31 December 2017.

The attendance record of each Director at the Board and Board Committee meetings and the annual general meeting of the Company held during the year ended 31 December 2017 is set out in the table below:

Name of Director	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Shum Tin Ching *(Note 1)*	4/4	N/A	N/A	1/1	1/1
Huang Fuqing	4/4	N/A	N/A	N/A	1/1
Cheuk Hiu Nam	4/4	N/A	1/1	N/A	1/1
Wang Jianfeng	4/4	N/A	N/A	N/A	1/1
Tai Kwok Leung, Alexander *(Note 2)*	4/4	2/2	1/1	N/A	1/1
Cheung Wai Bun, Charles, *JP* *(Note 3)*	4/4	2/2	1/1	1/1	1/1
Gu Yunchang	4/4	2/2	N/A	1/1	1/1

Notes:

1. Chairman of the Board and chairman of Nomination Committee.
2. Chairman of Audit Committee.
3. Chairman of Remuneration Committee.

None of the meetings set out above was attended by any alternate Director.

Besides the annual general meeting held on 12 June 2017, no other general meeting was held during the year ended 31 December 2017.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, *JP* and Mr. Gu Yunchang. Mr. Tai Kwok Leung, Alexander is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Board has also delegated the corporate governance duties to the Audit Committee for performing the functions set out in the code provision D.3.1 of the CG Code.

The Audit Committee held two meetings to review, in respect of the year ended 31 December 2017, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions, arrangements for employees to raise concerns about possible improprieties, the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Company's corporate governance report.

The Audit Committee also met the external auditors twice without the presence of the executive Directors. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor.

Remuneration Committee

The Remuneration Committee consists of three members, namely Ms. Cheuk Hiu Nam, Mr. Tai Kwok Leung, Alexander and Dr. Cheung Wai Bun, Charles, *JP*, and the majority of them are independent non-executive Directors. Dr. Cheung Wai Bun, Charles, *JP* is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2017 is set out below:

Remuneration band (RMB)	Number of person
0 – 1,000,000	2
1,000,001 – 1,500,000	3

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Shum Tin Ching, Dr. Cheung Wai Bun, Charles, *JP* and Mr. Gu Yunchang, Mr. Shum Tin Ching is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy and directors' nomination procedures, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including regulation management work guideline (規範管理工作指引), strategic investment work guideline (戰略投資工作指引), operation management work guideline (運營管理工作指引), sales management work guideline (營銷管理工作指引), business management work guideline (商業管理工作指引), accounting and finance work guideline (財務資金工作指引), human resources and administration work guideline (人事行政工作指引) and internal audit work guideline (審計監察工作指引).

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2017.

The internal audit department of the Company is responsible for providing internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems annually, including the financial, operational and compliance controls, of the Company for the year ended 31 December 2017, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed an inside information policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

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

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 60 to 66 of this annual report.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2017 amounted to RMB2,186,000 and RMB1,100,000 respectively.

An analysis of the remuneration paid or payable to the external auditor of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2017 is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit services	**2,186**
Non-audit services	
– Interim review fee	**350**
– Major acquisition	**350**
– Senior notes issuance related fee	**400**
Total	**3,286**

COMPANY SECRETARY

Mr. Siu Leung Wah resigned as the company secretary of the Company on 1 November 2017. The Company has engaged Tricor Services Limited, external service provider, and Ms. Wong Tak Yee of Tricor Services Limited has been appointed as the company secretary of the Company since 1 November 2017. The primary contact person of the Company is Ms. Cheuk Hiu Nam, the Chief Executive Officer and an executive Director.

All Directors have access to the advice and services of the company secretary of the Company on corporate governance and board practices and matters. Ms. Wong Tak Yee has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2017 pursuant to Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting ("EGM") and Putting Forward Proposals

Pursuant to Article 58 of the Company's Articles of Association, 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 company secretary of the Company, to require an EGM 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 twenty-one 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.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 1403, 9 Queen's Road Central, Hong Kong (For the attention of the Board of Directors)
Fax:	(852) 3951 8899
Email:	info@hkjiayuan.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

CONSTITUTIONAL DOCUMENTS

No change has been made to the Company's Memorandum and Articles of Association during the year ended 31 December 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the second Environmental, Social and Governance Report (the "ESG Report") issued by Jiayuan International Group Limited (the "Company"), reporting on the performance of the Company and its subsidiaries (collectively, the "Group") in the environmental, social and governance aspects.

This ESG Report has been compiled in both Chinese and English and has been uploaded onto the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company at www.jiayuanintl.com.

SCOPE OF THE REPORT

This ESG Report focuses on the operation of property development business of the Company from January 2017 to December 2017 (the "Reporting Year"). The scope of the ESG Report covers the relevant operations of two property projects under development[1], namely Yangzhou Jiayuan Centurial City and Nanjing Zijin Mansion (the "Points of Business"). The Group will continue to improve the internal data collection procedures, so as to expand the scope of disclosure gradually.

A complete index is appended to the last section of this ESG Report for the convenience of readers in navigating this ESG Report with the Index.

CONFIRMATION AND APPROVAL

The information disclosed in this ESG Report is taken from the Group's internal documents and statistical data. The ESG Report has been confirmed and approved by the Board of the Group in March 2018.

FEEDBACK

The Group values feedback from our stakeholders. If you have any questions or suggestions on the content or the form of reporting of this ESG Report, you are welcome to contact the Group via the following:

Address:	Room 1403, 9 Queen's Road Central, Hong Kong
Email:	info@hkjiayuan.com.hk
Telephone:	852-3951 8888
Fax:	852-3951 8899

1 Yangzhou Xiangjiang New City Center Property Co., Ltd ("Yangzhou Xiangjiang") and Nanjing Xinhaoning Property Development. Co., Ltd. ("Nanjing Xinhaoning") are responsible for the operations of Yangzhou Jiayuan Centurial City and Nanjing Zijin Mansion respectively.

ENVIRONMENTAL PROTECTION

Environmental sustainability is a focus issue of concern in the Group's fulfilment of our corporate social responsibility. The Group has complied with relevant environmental laws and regulations in our Points of Business, and has formulated our environmental protection policies declaration (the "Environmental Protection Policies Declaration") to demonstrate our resolve in committing to protect the environment.

EMISSIONS

The Group undertakes:

- to minimise the production of air pollutants and greenhouse gas emissions produced in our business operations;
- to use internationally recognised or equivalent local standards in assessing and externally disclosing greenhouse gas emissions in our business operations;
- to prevent and minimise the production of waste.

Due to our business nature, no emissions of significant impact to the environment were produced by the Group. The main emissions include: air emissions produced in using gasoline-powered vehicles, greenhouse gases indirectly produced in consuming electricity, and sewage and solid waste. The sewage and solid waste discharged by the Group's Points of Business arise from domestic activities of our employees, and no industrial wastewater or industrial waste was produced. The domestic sewage produced by the Group are discharged via local pipelines and treated at sewage treatment plants.

During the Reporting Year, the Group engaged a consultancy to conduct a carbon assessment to quantify our greenhouse gas emissions (otherwise known as "carbon emissions") produced in our operations; reference was made to the guidebook issued by the PRC National Development and Reform Commission[2].

The assessment result shows that, 69% of the Group's carbon emissions are from the usage of externally purchased electricity in Scope 2.

Scope	Zijin Mansion	Jiayuan Centurial City	Total Emissions (tCO_2e)
Scope 1: Direct Greenhouse Gas Emissions	14.4	1,109	**1,124**
Scope 2: Indirect Greenhouse Gas Emissions by Consumption of Energy	9.1	2,546	**2,555**
Total Greenhouse Gas Emissions	**23.5**	**3,655**	**3,679**
Greenhouse Gas Emission Intensity (tCO_2e/sq.m.)	**0.003**		

[2] The Guide for Greenhouse Gas Emission Accounting Methods and Reporting for Public Building Operators (Trial)

Regarding our main sources of carbon emissions, the Group will continue to evaluate, record and make annual disclosures on our greenhouse gas emissions and other environmental data. We will also use present year data as the basis for comparison with future data, thereby reviewing the effectiveness of prevailing measures, which will aid in formulating emissions reduction targets in future.

In addition, air pollutants directly emitted mainly consists of the particulate matter generated from liquefied petroleum gas used in the canteen of Yangzhou Jiayuan Centurial City.

Category	Air Pollutants Emissions (kg)
Sulfur Oxides	0.80
Nitrogen Oxides	2.61
Particulate Matter	64.2

An index is appended to the penultimate chapter of this ESG Report to provide relevant data on environmental performance indicators.

During the Reporting Year, the Group complied with the relevant laws and regulations that have a significant impact on the Group relating to air and green house gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

USE OF RESOURCES

The Group is deeply aware that fair use of resources is an indispensable aspect of sustainable development. The Group undertakes:

- to adopt principles of reduce, reuse and recycle, increasing usage efficiency in energy, paper, water, as well as other resources in our daily operations;

- to inculcate within the Group a culture of environmental protection, raising eco-friendly awareness among our employees;

- to formulate practical and measurable targets in environmental protection;

- to ensure sustained communication with employees on environmental protection policies; and

- to inspect the implementation of the policies declaration on a regular basis to ensure its effective implementation.

A number of our Points of Business have through channels such as internal guidelines and internal communications continuously promoted water saving habits to our employees. For instance, regular inspections on pipeline and water tap are conducted to see if there is any water leakage and maintenance will be promptly conducted.

As the Group's business nature is mainly related to property development, the operations of its projects involved both electricity and water consumption. The Group strives to urge our staff to implement energy-saving measures in relation to lighting, computer and paper usage, such as the replacement of traditional incandescent light bulbs by energy saving and environmentally friendly LED light bulbs, the adoption of office automation note-taking system and the posting of "energy-saving" labels to remind employees to turn off idle lights and computers. At the same time, each Points of Business has set up their own paper usage rules, encouraging their employees to reduce the use of paper and promote electronic communication and electronic data storage.

Use of Resources		
	Energy Usage	**Consumption Volume**
Energy Consumption	Liquefied Petroleum Gas (GJ)	17,352
	Gasoline (GJ)	358
	Electricity (MWh)	3,632
	Total Energy Consumption (MWh equivalent)	8,552
	Energy intensity (MWh)/ sq.m.)	0.007
	Water Usage	**Consumption Volume**
	Total Water Consumption (m^3)	137,617
	Water Consumption intensity (m^3/sq.m.)	0.11

The Group plans to adopt further energy saving and emissions reduction measures, measure and monitor water use of our Points of Business and formulate water-saving targets, as well as promote eco-friendly awareness among employees in the next reporting year.

THE ENVIRONMENT AND NATURAL RESOURCES

Due to the nature of the Group's business, daily operations of our businesses have no significant adverse impact on the environment. The Group has complied with the relevant laws and regulations and did not find any cases of breach of regulations relating to the environment and natural resources. Looking ahead, the Group will continue to assess environmental risks in our business operations to formulate responsive measures and regularly review and update our Environmental Protection Policies Declaration.

EMPLOYMENT AND LABOUR PRACTICES

The Group has complied with all laws and regulations applicable to our Points of Business, and has formulated the Employment and Labour Practices Declaration with respect to the circumstances of the Group's operations, in our commitment to provide all employees with a diversified working environment which cares for health and safety and is free of discrimination and harassment.

EMPLOYMENT

The Group sees talents as a key driver to corporate success and sustainable development. The Group has complied with employment laws and regulations in our Points of Business, and has formulated Jiayuan Common Program as the basic guiding principles of different management aspects of the Group. In addition, the Group also undertakes in our Employment and Labour Practices Declaration:

- to provide equal chances in respect of employment, training and career development without regard to gender, age, ethnic origin, race, color, religion, physical shape, illness, mental or physical disability, family responsibility, family composition, sexual orientation, political belief or social status;
- to have zero tolerance for discrimination and harassment in any form;
- to build a anti-discrimination and anti-harassment environment within our Group, enhancing the sense of equality among employees; and
- To cultivate a diverse working environment within the Group.

During the Reporting Year, the Group did not find any cases of breach of regulations relating to employment and labour practices.

In the future, the Group will promote information relating to equal opportunity, discrimination and harassment to our employees through internal communication. We will also oversee the implementation of our Employment and Labour Practices Declaration, so as to ensure its proper execution.

HEALTH AND SAFETY

In order to build a healthy and safe working environment, the Group provides appropriate and adequate personal safety equipment to minimise the risks of employees sustaining injuries or contracting diseases at the workplace or encountering occupational hazards. Certain Points of Business, including Nanjoing Zijin Mansion, have formulated an occupational health and safety management system, organized annual body check for their staff, established safety operation procedures and guidelines, as well as organized safety education activities, including fire safety and health talks, regularly.

During the Reporting Year, the Group did not find any cases of breach of the relevant laws and regulations relating to health and safety.

In the future, the Group will start to establish risk assessment process at different Points of Business gradually, so as to identify health and safety related risks and conduct regular review.

DEVELOPMENT AND TRAINING

The Group arranges a variety of employee training, not only to help them increase their work skills and raise operational efficiency, but also to provide personal development opportunities for them. The Group undertakes to invest resources in the training and career development of employees and provide sufficient training opportunities in accordance with the requirements of the Employment and Labour Practices Declaration, thereby enhancing the level of necessary knowledge and skills needed by our employees when performing their duties.

The Group's self-established Jiayuan College provides relevant trainings for different levels of employees, as well as targeted internal training courses in accordance with the need of the industry and profession, such as new staff entrance training, management staff training courses and non-regular trainings for engineering and financial aspects.

The Group will continue to improve the system which is used to identify our employees' training needs, so as to formulate training plans which better suit our employees' needs.

LABOUR STANDARDS

The Group has complied with relevant labour laws and regulations in our Points of Business, prohibiting child labour and forced labour. The Group has expressedly provided for a minimum working age, and conducts thorough review of relevant documentation and verifies age and identity to avoid employment of child labour and forced labour, bonded (including debt bonded) or contract labour, involuntary prison labour, trafficked labour or slave labour. The Group has formulated employment policies in writing and undertook in our Employment and Labour Practices Declaration not to employ child labour or any forms of forced labour and to formulate remedial measures, so as to handle cases of child labour and forced labour timely and promptly should these cases occur.

During the Reporting Year, the Group did not find any cases of breach of the relevant laws and regulations relating to child labour or forced labour.

The Group will set up a working group in the future, which will be responsible for coordinating the implementation of anti-child labour and forced labour measures, as well as monitoring and regularly updating those measures so as to improve the management.

OPERATIONS MANAGEMENT

The Group has complied with all applicable laws and regulations of our Points of Business, and has formulated the Supply Chain Management, Product Responsibility and Anti-corruption Policy Declaration in our commitment to properly manage the relevant environmental and social risks in our daily operations.

SUPPLY CHAIN MANAGEMENT

As an enterprise committed to social responsibility, it is vital to properly manage the supply chain. The Group undertakes:

- to conduct stringent selection of suppliers and conduct regular review of their performances;
- to identify environmental and social risks of supply chain and formulate corresponding measures; and
- to ensure sustained communication with and timely provision of support to suppliers.

Currently, the Group has set up a supplier assessment standard in respect of tender process and matters covering environmental protection and social care, as well as recorded and filed the performance indicator of suppliers. Suppliers are required to comply with the Supplier Code of Conduct covering environmental protection, labour rights, equal opportunities, anti-discrimination, product health and safety and anti-corruption. They are also required to sign the code to indicate their undertakings in performing their responsibilities.

In the future, the Group will continue to improve its supply chain management by establishing a risk assessment process to identify the environmental and social risks of the suppliers.

PRODUCT RESPONSIBILITY

As a property developer of large-scale residential complex projects and integrated commercial complex projects in the PRC, the Group undertakes:

- to provide healthy and safe products and services to our clients;
- provide products and services information (including advertisements and labels) to our clients accurately and publicly;
- to deliver the promises we make when marketing and selling products and services;
- to carry out corresponding remedies when the products and services fail to meet the standard;
- to respect statutory privacy rights of our clients in collecting, storing, using and transmitting their personal data;
- to take sufficient measures in properly safeguarding the personal data of our clients;
- to formulate remedies to timely and effectively respond in case of client data leakage events; and
- to take sufficient measures in maintaining and protecting intellectual property rights.

In order to ensure product health and safety, each Points of Business carried out measures in accordance with the Groups' 4th Product Standard Outline, including internal quality control standard and process, product quality inspection mechanism and product safety inspection process. Relevant Points of Business, including Yangzhou Xiangjiang, have formulated regulations for advertisement and contracts and set up standards for the selection of advertising media and content, thereby providing unbiased, accurate, true and fair information to our customer throughout our marketing communication channels (including product labels and any advertisement).

The Group values customer's feedback. Regular customer satisfaction surveys are conducted by each Point of Business. Improvement, such as quality enhancement of products and services and formulation of products return, withdrawal and recalls processes, will be conducted in accordance with the result of customer satisfaction surveys. The Group puts great emphasis on protecting customer privacy. We only collect customers' personal data in a reasonable manner when necessary and only for legal purpose. Information provider will be informed about the purpose during the course of data collection. The Group will also enter into confidentiality agreement with our client, so as to safeguard our client's trade secrets.

During the Reporting Year, the Group did not find any cases in breach of the relevant laws and regulations relating to health and safety, advertising labelling and privacy matters relating to products and services provided by the Group.

In the coming reporting year, the Group plans to sustain improvements in management relating to product responsibility, pay attention to amendments to regulations in product safety and follow up in a timely manner, and add terms related to intellectual property to our contracts so as to safeguard our client's benefit.

ANTI-CORRUPTION

In order to maintain a fair, ethical and efficient business and working environment and prevent any form of corrupt conduct, the Group undertakes:

- to create a integrity culture within the Group and raise anti-corruption awareness among employees;
- to ensure sustained communication with our employees and clients with regard to anti-corruption policies and implementation; and
- to take measures in preventing the appearance of behaviors such as bribery, blackmail, fraud and money laundering from occurring in our business operations.

Currently, the Group has included relevant terms in our employee handbook, employment contract and tender documents and has established investigating procedures for suspected corruption case. In the future, the Group plans to set up a corruption risk assessment mechanism and an anti-corruption working team to coordinate the implementation of anti-corruption measures.

During the Reporting Year, the Group did not find any cases in breach of the relevant laws and regulations relating to corruption, bribery, extortion, fraud and money laundering.

COMMUNITY INVESTMENT

The Group has formulated the Community Investment Policy Declaration in our commitment to fulfilling our corporate responsibilities to make contributions to the community in which we operate and to create value for society and the environment. The Group undertakes:

- to actively invest resources dedicated to supporting schemes and activities which positively impact social development;
- to encourage and arrange employees to participate in volunteer services and charity events;
- to select and confirm volunteer services and charity events organized by external organization and encourage employees to participate; and
- to capitalise on our technology/service advantages in making contributions to the community in which we operate.

Currently, each Points of Business had already organized volunteer services and charity events in accordance with the need of local community, and has planned to show their continuous care towards the community in the future, bringing positive impact to social development by ways of sponsor and donations. We will also establish a community investment working team, which will be responsible for coordinating the execution of our community investment measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX (THE "INDEX")

Subject Areas	Content	Statistics for the year	Page index
A. Environmental			
A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	–	50-51
A1.1	The types of emissions and respective emission data	–	–
	Sulphur oxides (kg)	0.80	51
	Nitrogen oxides (kg)	2.61	51
	Particulate matter (kg)	64.2	51
A1.2	Total greenhouse gas emissions (tCO_2e)	3,678.8	50
	Scope 1(tCO_2e)	1,123.5	
	Scope 2 (tCO_2e)	2,555.3	
	Greenhouse gas emissions intensity (tCO_2e/sq.m.)	0.003	50
A1.3	Total hazardous waste produced (tonnes)	(N/A)	–
	Density of hazardous waste produced (tonnes/sq.m.)	(N/A)	–
A1.4	Total non-hazardous waste produced (tonnes)	1,482	–
	Density of non-hazardous waste produced (tonnes/sq.m.)	0.0012	–
A1.5	Description of measures to mitigate emissions and results achieved	–	50
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	–	50

Subject Areas	Content	Statistics for the year	Page index
A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	–	51-52
A2.1	Direct and/or indirect energy consumption by type in total (MWh)	–	–
	Direct energy: Liquefied Petroleum Gas (GJ)	17,351.7	52
	Direct energy: Gasoline (GJ)	357.9	
	Indirect energy: Electricity (MWh)	3,632.3	52
	Total Energy Consumption (Mwh equivalent)	8,552	
	Density of direct and/or indirect energy consumption by type (MWh/sq.m.)	0.0070	52
A2.2	Total water consumption (m^3)	137,617	52
	Water consumption intensity (m^3/sq.m.)	0.112	52
A2.3	Description of energy use efficiency initiatives and results achieved	–	52
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	–	–
A2.5	Total volume of packaging material used for finished products (tonnes)	(N/A)	–
	Total volume of packaging material used for finished products per unit produced (ton/sq.m.)	(N/A)	–
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	–	52
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	–	52
B. Social			
B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	–	53

Subject Areas	Content	Statistics for the year	Page index
B2 Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	–	53
B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	–	54
B4 Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour	–	54
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	–	54
B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and remedies	–	55
B7 Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, blackmail, fraud and money laundering	–	56
B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure that its activities take into consideration the communities' interests	–	56

INDEPENDENT AUDITOR'S REPORT

德勤

TO THE MEMBERS OF JIAYUAN INTERNATIONAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jiayuan International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 163, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, 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 inventories of properties under development and properties held for sale	
We identified the valuation of the Group's inventories of properties under development (the "PUD") and properties held for sale (the "PFS") (collectively referred to as the "Properties") as a key audit matter due to the management judgments involved in the determination of the net realisable value (the "NRV") of these Properties and the estimation of future cost to completion of the Properties. The Group's PUD of RMB17,622 million and PFS of RMB742 million represented commercial and residential properties, which are located in Nanjing, Taicang, Taizhou, Taixing, Shenzhen, Suqian, Changzhou, Yangzhou, Nantong, Zhenjiang and Macau of the People's Republic of China (the "PRC") as at 31 December 2017. The management of the Group determined the NRV of these Properties by reference to the estimated market prices of the Properties, which takes into account a number of factors including the recent prices of similar property types in the same project or by similar properties, and the prevailing real estate market conditions in the PRC. Based on the management's estimation of the NRV of the Properties, no impairment was considered to be necessary. As disclosed in note 4 to the consolidated financial statements, the management estimated the future cost to completion of the PUD by reference to the actual development cost of the other similar completed projects of the Group, adjusted by certain current market data.	Our procedures in relation to the valuation of the Properties included: • Evaluating the reasonableness of the estimated future cost to completion of the Properties, on a sample basis, by comparing it to the actual development cost of similar completed properties of the Group and comparing the adjustments made by the management to current market data; • Assessing the appropriateness of the NRV of the Properties, on a sample basis, estimated by the management by comparing the estimated selling price to the market prices achieved in the same projects or comparable properties, based on our knowledge of the Group's business and the PRC real estate industry; and • Assessing the accuracy of the estimation of the NRV and future cost to completion of the Properties by comparing the previous estimation to the actual amounts.

Key audit matter	How our audit addressed the key audit matter
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, combining with the significant judgments inherent in determining the fair value. The investment properties of the Group represent the commercial properties, which were located in Changzhou, Yangzhou, Taixing, Taizhou, Suqian and Nanjing of the PRC. As disclosed in note 14 to the consolidated financial statements, the carrying amounts of completed investment properties and investment properties under construction were carried at RMB1,926 million and RMB1,380 million respectively as at 31 December 2017 with a net change in fair value of investment properties of RMB137 million was recognised in the consolidated statement of profit or loss for the year then ended. All of the Group's investment properties are stated at fair value based on valuations carried out by independent qualified professional valuers (the "Valuers"). Details of the valuation methodology and key inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The valuations were dependent on certain key inputs that involve the management's judgment, including monthly term rental, reversionary rental, term yield and reversionary yield for completed investment properties; market unit sales rate, developer's gross profit margin, gross development value and developer's profit for investment properties under construction. A table showing the relationship of significant unobservable inputs to fair value is also disclosed in this note.	Our procedures in relation to assessing the valuation of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuers; • Obtaining an understanding from the Valuers about the valuation methodology, the performance of the property markets, significant assumptions adopted, critical judgment on key inputs and data used in the valuations; • Assessing the reasonableness of the key inputs and source data used in the valuations by the management and the Valuers by comparing them, on a sample basis, to existing tenancy profiles, publicly available information of similar comparable properties and our knowledge of the real estate industry; and • Re-performing a sensitivity analysis on the significant unobservable inputs to evaluate the magnitude of their impacts on the fair values.

Key audit matter	How our audit addressed the key audit matter
Provision for land appreciation tax	
We identified the provision for land appreciation tax ("LAT") in the PRC as a key audit matter since significant judgment is required in estimating the amount of LAT to be paid by the Group within each of the property development projects. LAT arises in the PRC when properties are delivered to the buyers and revenue is recognised. As disclosed in note 9 to the consolidated financial statements, LAT, amounted to RMB463 million is recognised in the consolidated statement of profit or loss for the year ended 31 December 2017. As disclosed in note 4 to the consolidated financial statements, the LAT calculations are highly dependent on the appropriateness of the rates used, which are determined by the amount of the land appreciation. The amount of the land appreciation is determined by subtracting the deductible amounts, including sales charges, borrowing costs and all property development expenditures from the proceeds of sales of properties.	Our procedures in relation to the provision for LAT included: • Evaluating the reasonableness of the estimated sales revenue and the related deductible amounts used in the LAT calculation with reference to the market prices and development costs of similar properties; • Engaging our internal tax specialists to assess the accuracy of the land appreciation amount calculations for each of the property development projects, and to assess the appropriateness of the LAT rate used for each of the property development projects by comparing it to the LAT rate announced by the State Administration of Taxation in the PRC; and • Evaluating the judgments applied by the management in estimating the land appreciation amount and LAT rate by comparing their estimates made in previous years to actual results as well as current year's estimates.

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 due to the significance of the balance to the consolidated statement of profit or loss, combined with the management judgments involved in determining the appropriate point at which to recognise revenue from sales of properties. Revenue from sales of properties is recognised upon the delivery of properties to buyers when all of the five criteria as disclosed in note 3 "Revenue recognition" to the consolidated financial statements are satisfied. The Group recognised revenue of RMB6,924 million from sales of properties for the year ended 31 December 2017 as disclosed in note 6 to the consolidated financial statements.	Our procedures in relation to the 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; and • Evaluating the terms set out in the sales and purchase agreements, and obtaining evidence regarding the delivery of properties, including completion certificates and delivery notices, to assess whether the significant risks and rewards of ownership of the properties have been transferred to the buyers.

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 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 Ho Kam Wing, Richard.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	6	**6,948,775**	3,702,081
Cost of sales		**(4,550,110)**	(2,438,151)
Gross profit		**2,398,665**	1,263,930
Other income	7	**58,569**	60,992
Other gains and losses	7	**79,016**	5,299
Change in fair value of investment properties		**137,237**	322,413
Change in fair value upon transfer from inventories of properties to investment properties		**71,631**	15,412
Gain on bargain purchase of a subsidiary	34	**–**	102,498
Distribution and selling expenses		**(155,366)**	(130,197)
Administrative expenses		**(178,308)**	(89,858)
Other expenses		**(2,778)**	(15,730)
Finance costs	8	**(150,756)**	(64,905)
Share of result of an associate		**598**	–
Profit before taxation		**2,258,508**	1,469,854
Income tax expense	9	**(968,196)**	(660,650)
Profit for the year	10	**1,290,312**	809,204
Profit (loss) for the year attributable to:			
Owners of the Company		**1,284,077**	811,153
Non-controlling interests		**6,235**	(1,949)
		1,290,312	809,204
Earnings per share			
Basic (RMB cents)	13	**62.35**	45.86
Diluted (RMB cents)	13	**N/A**	45.86

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Profit for the year	**1,290,312**	809,204
Other comprehensive income		
Item that maybe reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale investment	**1,656**	–
Total comprehensive income for the year	**1,291,968**	809,204
Total comprehensive income (expense) for the year attributable to:		
Owner of the Company	**1,285,733**	811,153
Non-controlling interests	**6,235**	(1,949)
	1,291,968	809,204

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	**2017 RMB'000**	2016 RMB'000
NON-CURRENT ASSETS			
Investment properties	*14*	**3,306,142**	2,173,368
Property and equipment	*15*	**85,268**	85,507
Interest in an associate	*16*	**15,598**	–
Available-for-sale investment	*17*	**59,678**	53,820
Prepayment and deposit paid for a life insurance policy	*19*	**9,444**	9,513
Deposits paid for acquisition of subsidiaries	*20*	**1,524,053**	1,400,000
Deferred tax assets	*21*	**359,992**	216,673
		5,360,175	3,938,881
CURRENT ASSETS			
Inventories of properties	*22*		
– held for sale		**741,992**	730,211
– under development		**17,622,382**	9,836,441
Amounts due from customers for contract work	*23*	**–**	110,580
Trade and other receivables, deposits and prepayments	*24*	**2,117,135**	1,168,969
Held-to-maturity investment	*18*	**–**	129,796
Prepaid income tax		**237,146**	66,400
Amounts due from related parties	*40*	**–**	3,934
Restricted/pledged bank deposits	*25*	**1,001,427**	438,795
Bank balances and cash	*25*	**5,715,274**	977,653
		27,435,356	13,462,779
CURRENT LIABILITIES			
Trade and other payables and accrued expenses	*26*	**1,735,640**	1,052,061
Pre-sale deposits received	*26*	**6,358,397**	5,167,027
Tax payable		**1,559,516**	700,563
Amounts due to related parties	*40*	**6,576**	140
Bank and other borrowings	*27*	**3,233,346**	3,385,640
Senior notes	*28*	**3,681,736**	–
		16,575,211	10,305,431
NET CURRENT ASSETS		**10,860,145**	3,157,348
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,220,320**	7,096,229

	NOTES	2017 RMB'000	2016 RMB'000
CAPITAL AND RESERVES			
Share capital	29	**20,564**	15,558
Reserves		**6,755,015**	3,191,752
Equity attributable to owners of the Company		**6,775,579**	3,207,310
Non-controlling interests		**24,907**	107,942
TOTAL EQUITY		**6,800,486**	3,315,252
NON-CURRENT LIABILITIES			
Bank and other borrowings	27	**7,690,605**	2,314,420
Deferred income	26	**693,230**	436,341
Deferred tax liabilities	21	**386,783**	334,566
Senior notes	28	**649,216**	695,650
		9,419,834	3,780,977
		16,220,320	7,096,229

The consolidated financial statements on pages 67 to 163 were approved and authorised for issue by the Board of Directors on 27 March 2018 and are signed on its behalf by:

Cheuk Hiu Nam
DIRECTOR

Wang Jianfeng
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	–	–	196,843	–	29,713	1,133,649	1,360,205	19,878	1,380,083
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	–	811,153	811,153	(1,949)	809,204
Issue of shares through initial public offering upon listing *(Note 29)*	3,749	925,991	–	–	–	–	929,740	–	929,740
Capitalisation *(Note 29)*	11,247	(11,247)	–	–	–	–	–	–	–
Exercise of over-allotment option *(Note 29)*	562	138,899	–	–	–	–	139,461	–	139,461
Share issuance costs	–	(33,249)	–	–	–	–	(33,249)	–	(33,249)
Acquisition of a subsidiary	–	–	–	–	–	–	–	90,013	90,013
Transfer to reserve	–	–	–	–	18,977	(18,977)	–	–	–
At 31 December 2016	15,558	1,020,394	196,843	–	48,690	1,925,825	3,207,310	107,942	3,315,252
Profit for the year	–	–	–	–	–	1,284,077	1,284,077	6,235	1,290,312
Fair value gain on available-for-sale investment	–	–	–	1,656	–	–	1,656	–	1,656
Placing and subscription of shares	5,006	2,195,708	–	–	–	–	2,200,714	–	2,200,714
Acquisition of additional interest in a subsidiary from a non-controlling shareholder *(Note ii)*	–	–	81,822	–	–	–	81,822	(89,270)	(7,448)
Transfer to reserve	–	–	–	–	164,265	(164,265)	–	–	–
At 31 December 2017	20,564	3,216,102	278,665	1,656	212,955	3,045,637	6,775,579	24,907	6,800,486

Notes:

(i) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "PRC"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(ii) On 2 May 2017, Nanjing Gangyuan Investment Consulting Co., Limited ("Nanjing Gangyuan"), a wholly-owned subsidiary of the Company, further acquired 20% equity interest of Jiangsu De Run Hong Xiang Property Co., Ltd. ("Jiangsu De Run") held by non-controlling interests for a cash consideration of RMB7,448,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**2,258,508**	1,469,854
Adjustments for:		
Interest income on bank deposits	**(5,840)**	(9,278)
Interest income on entrusted loans receivable	**–**	(48,668)
Interest income on loans receivable	**(29,375)**	–
Interest income on available-for-sale investment	**(6,065)**	(1,504)
Interest income on held-to-maturity investment	**(13,367)**	(426)
Finance costs	**150,756**	64,905
Share of result of an associate	**(598)**	–
Depreciation of property and equipment	**5,844**	4,930
Unrealised exchange difference	**(98,914)**	27,665
(Gain) loss on disposal of property and equipment	**(607)**	25
Change in fair value of investment properties	**(137,237)**	(322,413)
Change in fair value upon transfer from inventories of properties to investment properties	**(71,631)**	(15,412)
Gain on bargain purchase of a subsidiary	**–**	(102,498)
Operating cash flows before movements in working capital	**2,051,474**	1,067,180
Increase in properties held for sale	**(11,781)**	(220,566)
(Increase) decrease in properties under development	**(2,531,531)**	898,033
Decrease in amounts due from customers of contract work	**110,580**	54,034
Decrease in trade and other receivables, deposits and prepayments	**196,263**	1,244,344
Decrease in amounts due from related parties	**3,934**	46,888
Increase in amount due to related parties	**6,436**	–
Increase (decrease) in trade and other payables and accrued expenses	**471,504**	(220,466)
Increase in pre-sale deposits received	**709,557**	492,778
Cash generated from operations	**1,006,436**	3,362,225
Income tax paid	**(371,091)**	(179,405)
NET CASH FROM OPERATING ACTIVITIES	**635,345**	3,182,820

	NOTES	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Deposits paid for trust financing arrangements		**(59,125)**	–
Additions of property and equipment		**(4,251)**	(7,677)
Proceeds from disposal of property and equipment		**745**	1
Additions of investment properties		**(326,537)**	(259,644)
Disposal of investment properties		**–**	9,038
Interest received		**19,633**	59,450
Deposits paid for acquisition of subsidiaries		**(874,053)**	(1,400,000)
Acquisition of subsidiaries	*33, 34*	**(3,494,576)**	(1,356,207)
Capital injection to an associate		**(15,000)**	–
Placement of restricted/pledged bank deposits		**(1,432,094)**	(1,316,792)
Withdrawal of restricted/pledged bank deposits		**869,462**	1,734,872
Loans to independent third parties		**(733,721)**	–
Proceeds from disposal of held-to-maturity Investment		**125,889**	–
Purchase of available-for-sale investment		**–**	(52,481)
Purchase of held-to-maturity investment		**–**	(129,796)
NET CASH USED IN INVESTING ACTIVITIES		**(5,923,628)**	(2,719,236)
FINANCING ACTIVITIES			
Proceeds from borrowings		**9,501,864**	5,703,390
Repayment of borrowings		**(4,271,756)**	(6,141,103)
Repayment of other unsecured interest-free advances		**(86,470)**	–
Advances from related parties		**–**	140
Interest paid		**(995,747)**	(780,097)
Proceeds from initial public offering		**–**	1,069,201
Proceeds from placing and subscription of shares		**2,200,714**	–
Proceeds from issuance of senior notes		**3,684,747**	667,760
Share issuance costs		**–**	(33,249)
Acquisition of additional interest in a subsidiary from a non-controlling shareholder		**(7,448)**	–
NET CASH FROM FINANCING ACTIVITIES		**10,025,904**	486,042
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,737,621**	949,626
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**977,653**	28,027
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, representing bank balances and cash		**5,715,274**	977,653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

The Company was incorporated on 5 May 2015 and registered in the Cayman Islands as an exempted company with limited liability. In March 2016, the Company completed the initial listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"). Its immediate and ultimate holding company is Mingyuan Group Investment Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability. Its ultimate controlling party is Mr. Shum Tin Ching (the "Ultimate Shareholder"). The addresses of the registered office of the Company and the principal place of business are disclosed in the corporate information section to the annual report.

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

The Company is an investment holding company.

The principal activities of its subsidiaries are set out in note 41.

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

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

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

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 years and/or the disclosures set out in these consolidated financial statements.

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

Amendments to HKAS 7 "Disclosure Initiative"

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

Specifically, the amendments require the following to be disclosed (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (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 32. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 32, the application of these amendments has had no impact on the Group's consolidated financial statements.

In addition, during the current year, the Group has early applied the following new standard in advance of the effective date.

Amendments to HKAS 40 "Transfers of Investment Property"

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction. For example, change in use for transfer from properties under development for sale in the ordinary course of business to investment properties could be evidenced by inception of an operating lease to another party.

The Group has early applied these amendments which resulted in early recognition of such transfers in the Group's consolidated financial statements. As at 31 December 2017, inventories of properties under development with lease agreements signed with a third party at a carrying amount of RMB597,369,000 has been transferred to investment properties at a fair value of RMB669,000,000. An amount of RMB71,631,000 has been recognised as the change in fair value upon transfer from inventories of properties to investment properties.

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

Summary of the effect of the above early application in accounting policy

The effect of the early application in the Group's accounting policy described above on the results for the current and preceding years by line items presented in the consolidated statement of profit or loss is as follows:

Impact on profit and total comprehensive income for the year

	Year ended	
	2017	2016
	RMB'000	RMB'000
Increase in change in fair value upon transfer from inventories of properties to investment properties	**71,631**	–
Increase in income tax expense	**(17,908)**	–
Net increase in profit and total comprehensive income for the year	**53,723**	–
Net increase in profit and total comprehensive income attributable to:		
Owners of the Company	**53,723**	–
Non-controlling interests	**–**	–
	53,723	–

Impact on basic earnings per share

	Year ended	
	2017	2016
	RMB cents	RMB cents
Basic earnings per share before adjustments	**59.74**	–
Adjustments arising from early application in accounting policy in relation to:		
– Change in fair value upon transfer from inventories of properties to investment properties	**2.61**	–
Reported basic earnings per share	**62.35**	–

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

Summary of the effect of the above early application in accounting policy (Continued)

Impact on financial position as at year end

	Before early application 2017 RMB'000	Adjustments arising from early application RMB'000	After early application 2017 RMB'000
Inventories of properties			
– under development	18,219,751	(597,369)	17,622,382
Investment properties	2,637,142	669,000	3,306,142
Deferred tax liabilities	(368,875)	(17,908)	(386,783)

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[3]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[3]
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[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[3]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[3]

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

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

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

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces 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

Debt instrument classified as available-for-sale investments carried at fair value as disclosed in note 17: this financial asset will be measured at fair value through profit or loss ("FVTPL") under HKFRS 9. The amount of change in the fair value of this financial asset will be recognised in profit or loss.

Deposit paid for a life insurance policy carried at amortised cost as disclosed in note 19: this financial asset will be measured at fair value through profit or loss ("FVTPL") under HKFRS 9. The amount of change in the fair value of this financial asset will be recognised in profit or loss.

Loans receivable carried at amortised cost as disclosed in note 24: this is held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, this financial asset will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

Except for financial assets which are subject to expected credit loss measurement upon application of HKFRS 9, all financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (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 measurement were to be applied by the Group, the accumulated amount of impairment loss to be recognized by 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 other receivables. Such further impairment recognised under expected credit loss measurement would reduce the opening retained profits 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 those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a 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 considerations, as well as licensing application guidance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (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 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. Based on the assessment of the directors of the Company, the amount of deferred contract costs at 1 January 2018 was insignificant to the Group.

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 leases, 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 presents upfront prepaid lease payments as investing cash flows in relation to 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 interest portion which will be both presented as financing cash flows by the Group.

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 as an operating lease or a finance lease.

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

HKFRS 16 *Leases* (Continued)

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB2,076,000 as disclosed in note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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 leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosures 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties which 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 and services.

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".

A fair value measurement of a non-financial asset takes 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 investment properties which are transferred 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Company 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.

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 profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's ownership interests in existing subsidiaries

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 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 that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). 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 combinations

Acquisitions 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.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, 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 arrangements of the acquiree or share-based payment arrangements 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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

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 may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

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/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.

Construction contracts

When the outcome of a construction contract 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 of contract costs incurred for work performed to date relative to the estimated total contract costs. 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.

When the outcome of a construction contract can be estimated reliably, revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date as compared to the estimated total costs of the contract.

When the outcome of a construction 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.

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

When 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 work. For contract where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables, deposits and prepayments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in an associate

An associate is an entity over which the Group has significant influence. 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.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes is prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is 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. Changes in net assets of the associate 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 exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in an associate (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is 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 and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate 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/partial disposal of the relevant associate.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related tax.

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.

Revenue from sale of properties in the ordinary course of business is recognised upon delivery of the properties to the buyers, at which time all of the following criteria are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposit received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Service income is recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property and equipment

Property and equipment including leasehold land and buildings held for administrative purpose are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated 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.

An item of property 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 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.

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 initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their 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 incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (Continued)

Property under construction or development for future use as an investment property is classified as investment property under development and is initially measured at cost and subsequently at fair values using the fair value model. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or development is completed, whichever is earlier, in which time any difference between the fair value and the carrying amount will be recognised in profit or loss in that period.

Properties under development and properties held for sales are transferred 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 inception 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.

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.

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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and buildings 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 as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the 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 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 lease.

Properties under development

When the leasehold land and buildings are in the course of development for sale, the leasehold land component is amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the costs of the properties under development.

Properties under development which are intended to be held for own use or their investment potential are shown as non-current assets.

Properties under development which are intended to be held for sale are shown as current assets and carried at the lower of cost and net realisable value.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less all estimated costs of completion and costs necessary to make the sales.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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 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 individual asset, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on tangible assets (Continued)

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 unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 or liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial asset or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as held-to-maturity investment, available-for-sale ("AFS") financial assets and loans and receivables. 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 purchase or sales of financial assets that require delivery of assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

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 investments or (c) financial assets at fair value through profit or loss.

Debt investment held by the Group that is classified as AFS financial asset is measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS debt investment relating to interest income calculated using the effective interest method is recognised in profit or loss. Other changes in the carrying amount of AFS financial asset is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

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 deposit paid for a life insurance policy, trade and other receivables, amounts due from related parties, restricted/pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contacts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for indicators of 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, 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.

The carrying amount of the financial assets 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 receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of 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.

When a 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.

In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

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

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 and points 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.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to related parties, bank and other borrowings and senior notes) 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 fair value through profit or loss ("FVTPL"), are subsequently measured at the higher of:

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

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guaranteed 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 and substantially all the risks and rewards of ownership of the asset to another entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition (Continued)

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable 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.

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.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to the Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Short-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.

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 taxation' as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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 difference 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 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 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. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 Income Taxes (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when it relates 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)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the 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 that are denominated in foreign currencies are retranslated at the rates prevailing on 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, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the directors of the Company have 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 arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are 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 of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of investment properties as the Group is subject to enterprise income tax ("EIT"). The carrying amount of deferred taxation on investment properties at 31 December 2017 was RMB344,412,000 (2016: RMB292,195,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 the 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.

Construction costs estimation for revenue recognition

Certain projects of the Group are divided into several phases according to the development and delivery plans. The Group recognises sales upon delivery of properties. Cost of sales including construction costs specific to the phases and common costs allocable to the phases are calculated based on management's best estimation of the total development costs for the whole project and the allocation to each phase at the time when the properties are delivered.

Impairment of inventories of properties

The Group's inventories of properties are stated at the lower of cost and net realisable value (the "NRV"). The management of the Group make significant judgment in determining the NRV of these inventories of properties and the estimation of future costs to completion of these inventories of properties.

Based on the experience of the management of the Group and the nature of the subject properties, the management of the Group determine the NRV of these inventories of properties by reference to the estimated market prices of the inventories of properties, which takes into account a number of factors including the recent prices of similar property types in the same project or by similar properties, and the prevailing real estate market conditions in the PRC. The directors of the Company estimate the future cost to completion of the inventories of properties by reference to the actual development cost of other similar completed projects of the Group, adjusted by certain current market data.

If there is an increase in costs of completion or a decrease in estimated market prices, this may result in write-downs for these inventories of properties. Such write-downs require the use of judgment and estimates of the management of the Group. The carrying amount of inventories of properties at 31 December 2017 was RMB18,364,374,000 (2016: RMB10,566,652,000). Based on the management's estimation of the NRV of the inventories of properties, no impairment were considered to be necessary.

Estimate of fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the assumptions used in valuation have reflected the current market conditions. The carrying amount of investment properties at 31 December 2017 was RMB3,306,142,000 (2016: RMB2,173,368,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimate of the PRC land appreciation tax ("LAT")

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

The Group is subject to land appreciation taxes in the PRC. The details of implementation have been announced by local tax bureaux in certain major cities, however, the Group has not finalised its LAT calculation and payments with local tax bureaux in those cities in the PRC. Accordingly, significant judgments are required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates according to the understanding of the tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

Construction contracts

The Group recognises contract revenue according to the management's estimation of the progress and outcome of the project. Estimated revenue is determined in accordance with the terms set out in the relevant contracts or, in case of variation orders, based on contract terms or other forms of agreements. Estimated contract cost, which mainly comprises direct labour cost, subcontracting charges and costs of materials, is variable and estimated by the management on the basis of estimated cost of direct labour, subcontracting charges and costs of materials from time to time based on quotations provided by the major subcontractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management frequently reviews and revises the estimates of both estimated revenue as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

5. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, being the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

(i) Property development – development and sales of office premises, shopping arcade and residential properties

(ii) Property investment – leasing of office premises, hotel, shopping arcade and carparks

(iii) Development services – development of resettlement properties and other public facilities

5. SEGMENT INFORMATION (CONTINUED)

No segment revenue and results are presented for the provision of development services as there is no revenue generated and expenses incurred for this segment during the years ended 31 December 2017 and 2016. The Group will continue to engage in the provision of development services in the future.

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Information regarding the above segments is reported below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments for the years:

	Segment revenue		Segment profit	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Property development	**6,923,887**	3,681,763	**2,063,878**	1,134,758
Property investment	**24,888**	20,318	**24,888**	20,318
Total	**6,948,775**	3,702,081	**2,088,766**	1,155,076
Other gains and losses			**79,016**	5,299
Interest income			**54,647**	59,876
Central administration costs			**(22,631)**	(15,114)
Change in fair value of investment properties			**137,237**	322,413
Change in fair value upon transfer from inventories of properties to investment properties			**71,631**	15,412
Other expenses			**–**	(8,203)
Finance costs			**(150,756)**	(64,905)
Share of result of an associate			**598**	–
Profit before taxation			**2,258,508**	1,469,854

Segment profit represents the profit earned by each segment without allocation of central administration costs, other gains and losses, interest income, certain other expenses, change in fair value of investment properties, change in fair value upon transfer from inventories of properties to investment properties, finance costs and share of result of an associate. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years reported.

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Property development	
	2017	2016
	RMB'000	RMB'000
Amount included in the measure of segment profit or loss:		
Depreciation of property and equipment	**5,844**	4,900
(Gain) loss on disposal of property and equipment	**(607)**	25

Geographical information

The following tables set out information about the Group's revenue from external customers by cities in the PRC, based on the location at which the properties are sold, properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

	Revenue from external customers	
	2017	2016
	RMB'000	RMB'000
Taixing	**2,296,123**	595,982
Taizhou	**87,709**	102,076
Suqian	**848,526**	328,154
Yangzhou	**3,166**	3,129
Nanjing	**3,527,979**	2,426,241
Changzhou	**185,272**	246,499
	6,948,775	3,702,081

5. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

	Non-current assets	
	2017	2016
	RMB'000	RMB'000
Changzhou	**324,074**	314,948
Hong Kong	**91,490**	77,772
Nanjing	**673,012**	5,451
Taixing	**865,332**	831,341
Taizhou	**436,758**	418,540
Suqian	**227,443**	218,173
Yangzhou	**786,500**	532,165
Nantong	**138**	309
Zhenjiang	**543**	176
Macau	**1,073**	–
Shenzhen	**1,524,559**	1,260,000
Taicang	**139**	–
	4,931,061	3,658,875

Note: Non-current assets excluded available-for-sale investment, prepayment and deposit paid for a life insurance policy and deferred tax assets.

Information about major customers

There were no customers individually contributing over 10% of the total sale amounts for the years reported.

6. REVENUE

The amount represents revenue arising from sales of properties and property rental.

Analysis of the Group's revenue is set out as below:

	2017	2016
	RMB'000	RMB'000
Sales of properties	**6,923,887**	3,681,763
Property rental	**24,888**	20,318
	6,948,775	3,702,081

7. OTHER INCOME, GAINS AND LOSSES

	2017 RMB'000	2016 RMB'000
Other income		
Interest income on bank deposits	**5,840**	9,278
Interest income on entrusted loans receivable	**–**	48,668
Interest income on loans receivables	**29,375**	–
Interest income on available-for-sale investment	**6,065**	1,504
Interest income on held-to-maturity investment	**13,367**	426
Others	**3,922**	1,116
	58,569	60,992
Other gains and losses		
Gain (loss) on disposal of property and equipment	**607**	(25)
Foreign exchange gain, net	**78,409**	5,324
	79,016	5,299

8. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interests on bank and other borrowings	**886,520**	715,685
Interests on senior notes *(Note 28)*	**158,249**	21,726
Less: Capitalised in investment properties under construction/properties under development	**(894,013)**	(672,506)
	150,756	64,905

Finance costs have been capitalised for investment properties under construction and properties under development at average rate of 6.51% (2016: 6.69%) per annum for the year ended 31 December 2017.

9. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current tax:		
EIT in the PRC	**596,475**	328,620
LAT	**462,823**	298,820
	1,059,298	627,440
Deferred tax *(Note 21)*	**(91,102)**	33,210
	968,196	660,650

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during both years.

No provision for Hong Kong Profits Tax and Macau Complementary Tax has been recognised in the consolidated financial statements during both years as the Group does not have assessable profit which arises in, or is derived from Hong Kong and Macau respectively.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994 and amended on 8 January 2013, and the Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995 (collectively referred to the "LAT Regulations"), all gains arising from the sale or transfer of real estate in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities.

9. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the profit before taxation as follows:

	2017 RMB'000	2016 RMB'000
Profit before taxation	**2,258,508**	1,469,854
PRC EIT at 25%	**564,627**	367,463
Tax effect of expenses not deductible for tax purpose	**62,295**	107,445
Tax effect of income not taxable for tax purpose	**(47,265)**	(46,591)
Tax effect of tax losses not recognised	**47,339**	11,019
Utilisation of tax losses previously not recognised	**(5,917)**	(2,801)
LAT	**462,823**	298,820
Tax effect of LAT	**(115,706)**	(74,705)
Tax charge for the year	**968,196**	660,650

10. PROFIT FOR THE YEAR

	2017 RMB'000	2016 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Cost of properties held for sale recognised as expenses	**4,550,110**	2,438,151
Depreciation of property and equipment	**5,927**	4,930
Less: Capitalised in properties under development	**(83)**	(30)
	5,844	4,900
Auditors' remuneration	**2,186**	2,100
Compensation expenses (included in other expenses) *(Note)*	**–**	780
Donations (included in other expenses)	**2,437**	932
Listing expenses (included in other expenses)	**–**	8,203
Minimum lease payments under operating lease for land and buildings	**1,893**	1,267
Rental income from investment properties (net of negligible outgoings)	**(24,888)**	(20,318)
Directors' emoluments *(Note 11)*	**6,908**	6,209
Other staff costs		
Salaries and other allowances	**47,758**	30,384
Retirement benefit costs	**4,598**	4,572
Total staff costs	**59,264**	41,165
Less: Capitalised in properties under development	**(10,038)**	(3,879)
	49,226	37,286

Note: Compensation expenses mainly represent compensation paid to purchasers of properties as a result of delay in property delivery.

11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Details of the emoluments paid/payable to the directors and the chief executive of the Company (including emoluments for services provided as employees/directors of the group entities prior to becoming the directors of the Company) during the years are as follows:

	2017 RMB'000	2016 RMB'000
Directors' fee	**600**	489
Other emoluments		
– Salaries and other allowances	**3,409**	2,936
– Performance related bonus (Note)	**2,814**	2,668
– Retirement benefit scheme contributions	**85**	116
	6,908	6,209

The emoluments of the directors and chief executive are as follow:

	Fee RMB'000	Salaries and other allowances RMB'000	Performance related bonus RMB'000 *(Note)*	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2017					
Executive Directors					
Ms. Cheuk Hiu Nam *(Note i)*	–	1,003	918	15	1,936
Mr. Huang Fuqing *(Note i)*	–	802	1,326	40	2,168
Mr. Wang Jianfeng *(Note i)*	–	802	570	15	1,387
Non-Executive Director					
Mr. Shum Tin Ching *(Note ii)*	–	802	–	15	817
Independent non-executive Directors					
Mr. Tai Kwok Leung, Alexander *(Note iii)*	200	–	–	–	200
Dr. Cheung Wai Bun, Charles, *JP (Note iii)*	200	–	–	–	200
Mr. Gu Yunchang *(Note iii)*	200	–	–	–	200
	600	3,409	2,814	85	6,908

11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

	Fee RMB'000	Salaries and other allowances RMB'000	Performance related bonus RMB'000 *(Note)*	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2016					
Executive Directors					
Ms. Cheuk Hiu Nam *(Note i)*	–	770	919	16	1,705
Mr. Huang Fuqing *(Note i)*	–	661	1,200	69	1,930
Mr. Wang Jianfeng *(Note i)*	–	681	549	16	1,246
Non-Executive Director					
Mr. Shum Tin Ching *(Note ii)*	–	824	–	15	839
Independent non-executive Directors					
Mr. Tai Kwok Leung, Alexander *(Note iii)*	163	–	–	–	163
Dr. Cheung Wai Bun, Charles, *JP (Note iii)*	163	–	–	–	163
Mr. Gu Yunchang *(Note iii)*	163	–	–	–	163
	489	2,936	2,668	116	6,209

Notes:

(i) Ms. Cheuk Hiu Nam, Mr. Huang Fuqing and Mr. Wang Jianfeng were appointed as executive directors of the Company on 27 July 2015. Ms. Cheuk Hiu Nam is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(ii) Mr. Shum Tin Ching was appointed as a non-executive director of the Company on 27 July 2015. The non-executive director's emoluments shown above were for services as a director of the Company.

(iii) Mr. Tai Kwok Leung, Alexander, Dr. Cheng Wai Bun, Charles, JP and Mr. Gu Yunchang were appointed as independent non-executive directors of the Company on 12 February 2016. The independent non-executive directors' emoluments shown above were for services as directors of the Company.

11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (CONTINUED)

The five highest paid individuals included three directors for the year ended 31 December 2017 (2016: three directors). The remunerations of the remaining two (2016: two) highest paid individuals for the year are as follows:

	2017	2016
	RMB'000	RMB'000
Employees		
– Salaries and other allowances	**1,081**	703
– Performance related bonus *(Note)*	**1,425**	1,599
– Retirement benefit scheme contributions	**93**	54
	2,599	2,356

The remuneration were within the following bands:

	Number of individuals	
	2017	2016
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**2**	–

During both years, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the years.

Note: Performance related bonus is determined by reference to the performance of individuals and market trend.

12. DIVIDEND

	2017	2016
	RMB'000	RMB'000
Final dividend proposed – HK19 cents (2016: Nil) per ordinary share	**372,943**	–

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK19 cents per ordinary share, in an aggregate amount of HK$465,880,000 (approximately RMB372,943,000), taking into account the 2,452,000,000 ordinary shares in issue at the reporting date, have been proposed by the Board of Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability in these consolidated financial statements.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2017 RMB'000	2016 RMB'000
Earnings		
Earnings for the purpose of basic (2016: basic and diluted) earnings per share (profit for the year attributable to owners of the Company)	**1,284,077**	811,153

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,059,330**	1,768,709
Effect of dilutive potential ordinary shares:		
Over-allotment option		152
Weighted average number of ordinary shares for the purpose of diluted earnings per share		1,768,861

No diluted earnings per share for the year ended 31 December 2017 was presented as there were no potential ordinary shares in issue in 2017.

14. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
FAIR VALUE			
At 1 January 2016	1,388,149	182,000	1,570,149
Additions	–	259,644	259,644
Disposal	(9,038)	–	(9,038)
Transfer from inventories of properties	30,200	–	30,200
Transfer	22,170	(22,170)	–
Net change in fair value recognised in profit or loss	128,887	193,526	322,413
At 31 December 2016	1,560,368	613,000	2,173,368
Additions	41,900	284,637	326,537
Transfer from inventories of properties	–	669,000	669,000
Transfer	344,801	(344,801)	–
Net change in fair value recognised in profit or loss	(20,927)	158,164	137,237
At 31 December 2017	1,926,142	1,380,000	3,306,142

The completed investment properties and investment properties under construction are all situated in the PRC under medium-term leases. The completed investment properties are rented out under operating leases.

The fair values of the Group's investment properties at 31 December 2017 and 2016 have been arrived at on the basis of valuations on those dates carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of completed investment properties ("Completed IP") were arrived at with adoption of income capitalisation approach by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the respective properties.

The valuations of investment properties under construction ("IP under construction") were arrived at with adoption of cost approach or residual approach. Cost approach is adopted when IP under construction is at its preliminary state based on market unit sales rate available in the relevant market and have also taken into account the developer's gross profit margin. Residual approach is adopted when IP under construction is close to completion state based on market observable transactions of completed properties with the basis that they will be developed and completed in accordance with the latest development proposals and taken into account the accrued construction costs that will be expended to complete the development to reflect the quality of the completed development and developer's profit.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

14. INVESTMENT PROPERTIES (CONTINUED)

All of the Group's property interests held under operating leases in the PRC to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Details of the Group's investment properties which are classified as Level 3 in the fair value hierarchy as at 31 December 2017 and 2016 are as follows:

	Completed IP RMB'000	IP under construction RMB'000	Total fair value as at 31.12.2017 RMB'000
Properties in Changzhou	**324,000**	**–**	**324,000**
Properties in Yangzhou	**73,652**	**711,000**	**784,652**
Properties in Taixing	**864,900**	**–**	**864,900**
Properties in Taizhou	**436,590**	**–**	**436,590**
Properties in Suqian	**227,000**	**–**	**227,000**
Properties in Nanjing	**–**	**669,000**	**669,000**
	1,926,142	**1,380,000**	**3,306,142**

	Completed IP RMB'000	IP under construction RMB'000	Total fair value as at 31.12.2016 RMB'000
Properties in Changzhou	21,880	293,000	314,880
Properties in Yangzhou	71,417	320,000	391,417
Properties in Taixing	830,700	–	830,700
Properties in Taizhou	418,371	–	418,371
Properties in Suqian	218,000	–	218,000
	1,560,368	613,000	2,173,368

There were no transfers into or out of Level 3 during the years reported. The following table gives information about how the fair values of the major investment properties are determined (in particular, the valuation techniques and inputs used).

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
Properties in Changzhou – IP under construction and completed IP	Level 3	Residual approach for IP under construction The key inputs are: (1) Gross development value (2) Developer's profit	Gross development value on completion basis, taking into account of location and individual factors such as frontage and size, between the comparables and the property, of RMB6,874 per sq.m at 31 December 2016.	The higher the gross development value, the higher the fair value.
			Developer's profit, taking into account of the comparables land transactions and progress of the property, at 30% at 31 December 2016.	The higher the developer's profit, the lower the fair value.
	Level 3	Income capitalisation approach for completed IP The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the lower market risk for the term value, at 3.5% (2016: 3.5%).	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the properties, at 4% (2016: 4%).	The higher the reversionary yield, the lower the fair value.

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB0.16/sq.m./month (2016: Nil).	The higher the monthly term rental, the higher the fair value.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB42/sq.m./month (2016: RMB42/sq.m./month).	The higher the reversionary rental, the higher the fair value.
Properties in Yangzhou – IP under construction and completed IP	Level 3	Residual approach for IP under construction as at 31 December 2017 The key inputs are: (1) Gross development value (2) Developer's profit	Gross development value on completion basis, taking into account of location and individual factors such as frontage and size, between the comparables and the property, of RMB8,237 per sq.m at 31 December 2017.	The higher the gross development value, the higher the fair value.
			Developer's profit, taking into account of the comparables land transactions and progress of the property, at 20% at 31 December 2017.	The higher the developer's profit, the lower the fair value.

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
	Level 3	Cost approach for IP under construction as at 31 December 2016 The key inputs are: (1) Market unit sales rate (2) Developer's gross profit margin	Market unit sales rate, using market direct comparable and adopted by taking into account of location and other individual factors range from RMB1,300 sq.m to RMB2,300 sq.m as at 31 December 2016.	The higher the market unit sales rate, the higher the fair value.
			Developer's gross profit margin, taking into account of the progress of the property of 30% as at 31 December 2016	The higher the developer's gross profit margin, the lower the fair value.
	Level 3	Income capitalisation approach for completed IP The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the lower market risk for the term value, at 3% (2016: 3%).	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the properties, at 3.5% (2016: 3.5%).	The higher the reversionary yield, the lower the fair value.

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB15.85/sq.m./month to RMB33.75/sq.m./month (2016: RMB16.24/sq.m./month to RMB28.92/sq.m./month).	The higher the monthly term rental, the higher the fair value.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB43.5/sq.m./month to RMB44.4/sq.m./month (2016: RMB41.7/sq.m./month to RMB42.0/sq.m./month).	The higher the reversionary rental, the higher the fair value.
Properties in Taixing – Completed IP	Level 3	Income capitalisation approach The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the lower market risk for the term value, range from 3% to 3.5% (2016: 3% to 3.5%).	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the properties, range from 3.5% to 3.75% (2016: 3.5% to 4%).	The higher the reversionary yield, the lower the fair value.

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB5.84sq.m./month to RMB52.24/sq.m./month (2016: RMB22.08sq.m./month to RMB52.11/sq.m./month).	The higher the monthly term rental, the higher the fair value.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB41.7/sq.m./month to RMB147.0/sq.m./month (2016: RMB40.5/sq.m./month to RMB144.0/sq.m./month).	The higher the reversionary rental, the higher the fair value.
Properties in Taizhou – Completed IP	Level 3	Income capitalisation approach The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the lower market risk for the term value, range from 3% to 3.5% (2016: 3% to 3.5%).	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the properties, range from 3.5% to 4% (2016: 3.5% to 4%).	The higher the reversionary yield, the lower the fair value.

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB11.92/sq.m./month to RMB22.07sq.m./month (2016: RMB6.52/sq.m./month to RMB20.81sq.m./month).	The higher the monthly term rental, the higher the fair value.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB48.6/sq.m./month to RMB102.0/sq.m./month (2016: RMB46.8/sq.m./month to RMB99.0/sq.m./month).	The higher the reversionary rental, the higher the fair value.
Properties in Suqian – Completed IP	Level 3	Income capitalisation approach The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly term rental (4) Reversionary rental	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the lower market risk for the term value, at 3.5% (2016: 3.5%).	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the properties, at 4% (2016: 4%).	The higher the reversionary yield, the lower the fair value.

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
			Monthly term rental for each unit is derived from the rental as stated in the existing rental agreements with an average of RMB4.73/sq.m./month (2016: RMB2.33/sq.m./month.	The higher the monthly term rental, the higher the fair value.
			Reversionary rental is derived from the market rentals from comparable properties or the rental as stated in the new rental agreements with an average of RMB47.4/sq.m./month (2016: RMB45.9/sq.m./month).	The higher the reversionary rental, the higher the fair value.
Property in Nanjing – IP under construction	Level 3	Residual approach as at 31 December 2017 The key inputs are: (1) Gross development value (2) Developer's profit	Gross development value on completion basis, taking into account of location and individual factors such as frontage and size, between the comparable and the property, of RMB20,034 per sq.m at 31 December 2017.	The higher the gross development value, the higher the fair value.
			Developer's profit, taking into account of the comparable land transactions and progress of the property, at 10% at 31 December 2017.	The higher the developer's profit, the lower the fair value.

The Group has pledged completed IP amounting to RMB998,000,000 (2016: RMB1,139,599,000) to secure certain banking and other facilities granted to the Group (Note 36).

15. PROPERTY AND EQUIPMENT

	Leasehold land and building RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Furniture, fittings and equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST							
At 1 January 2016	81,708	839	1,530	427	3,389	11,261	99,154
Additions	–	–	32	358	824	6,980	8,194
Disposals	–	–	(8)	–	(456)	(70)	(534)
At 31 December 2016	81,708	839	1,554	785	3,757	18,171	106,814
Additions	–	702	138	1,421	1,182	2,383	5,826
Disposals	–	–	(2)	(67)	(365)	(1,646)	(2,080)
At 31 December 2017	81,708	1,541	1,690	2,139	4,574	18,908	110,560
ACCUMULATED DEPRECIATION							
At 1 January 2016	(2,859)	(293)	(1,080)	(163)	(2,870)	(9,620)	(16,885)
Charge for the year	(1,634)	(168)	(191)	(284)	(782)	(1,871)	(4,930)
Eliminated on disposals	–	–	8	–	434	66	508
At 31 December 2016	(4,493)	(461)	(1,263)	(447)	(3,218)	(11,425)	(21,307)
Charge for the year	(1,634)	(238)	(197)	(711)	(582)	(2,565)	(5,927)
Eliminated on disposals	–	–	–	64	323	1,555	1,942
At 31 December 2017	(6,127)	(699)	(1,460)	(1,094)	(3,477)	(12,435)	(25,292)
CARRYING VALUES							
At 31 December 2017	75,581	842	230	1,045	1,097	6,473	85,268
At 31 December 2016	77,215	378	291	338	539	6,746	85,507

15. PROPERTY AND EQUIPMENT (CONTINUED)

The above items of property and equipment are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Leasehold land and building	Over the shorter of the term of lease or 2%
Leasehold improvements	20%
Office equipment	20%
Furniture, fittings and equipment	10% – 20%
Computer equipment	20% – 33%
Motor vehicles	25%

The leasehold land and building is located in Hong Kong.

The land and building elements of a lease of land and building cannot be allocated reliably between the land and building elements, and the lease is treated as property and equipment.

The Group has pledged leasehold land and building with a net book value of RMB75,580,000 (2016: RMB77,215,000) to secure certain banking and other facilities granted to the Group (Note 36).

16. INTEREST IN AN ASSOCIATE

	2017 RMB'000	2016 RMB'000
Cost of unlisted investment	**15,000**	–
Share of post-acquisition profits and other comprehensive income, net of dividend received	**598**	–
	15,598	–

Details of the Group's associate at 31 December 2017 are as follows:

Name of entity	Place of incorporation/ registration	Proportion of ownership interest held by the Group	Proportion of voting right held by the Group	Principal activity
深圳市盛元智本商業保理有限公司 ("盛元智本")	PRC	30%	20%	Factoring

On 10 April 2017, the Group set up 盛元智本 with four shareholders of 盛元智本 pursuant to which the Group has paid the consideration for the acquisition of 30% equity interest in 盛元智本 through capital contribution of RMB15,000,000 as the registered capital and capital reserve of 盛元智本.

16. INTEREST IN AN ASSOCIATE (CONTINUED)

Summarised financial information in respect of 盛元智本 is set out below. The financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	2017 RMB'000
Current assets	55,734
Current liabilities	(3,740)
	51,994
Revenue	3,001
Other income	7
Expenses	(1,014)
Profit and total comprehensive income for the year	1,994

Reconciliation of the above summarised financial information to the carrying amount of interest in the associate recognised in the consolidated financial statements:

	2017 RMB'000
Net assets of the associate	51,994
Proportion of the Group's ownership interest in the associate	30%
Net assets shared by the Group and the carrying amount of the Group's interest in the associate	15,598

17. AVAILABLE-FOR-SALE INVESTMENT

	2017 RMB'000	2016 RMB'000
Debt instrument in the PRC, at fair value	**59,678**	53,820

The above debt instrument represents investment in an unlisted fund issued by private entity incorporated in the PRC.

18. HELD-TO-MATURITY INVESTMENT

	2017 RMB'000	2016 RMB'000
Unlisted fund, at amortised cost	**–**	129,796

The above unlisted fund investment is measured at amortised cost using the effective interest method less any impairment at the end of the reporting period, which is denominated in Australian dollars ("AUD"). The held-to-maturity investment carries fixed interest at 12% per annum and was redeemed in 2017.

19. PREPAYMENT AND DEPOSIT PAID FOR A LIFE INSURANCE POLICY

In 2015, Hong Kong Jia Yuan Holdings Limited ("Hong Kong Jia Yuan") entered into a life insurance policy with an insurance company on Ms. Cheuk Hiu Nam, a director of the Company. Under the policy, Hong Kong Jia Yuan, being the beneficiary and policy holder, is required to pay an upfront payment for the policy. Hong Kong Jia Yuan may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value"). If such withdrawal is made at any time during the first to the eighteenth policy year, as appropriate, a pre-determined specified surrender charge would be imposed.

At the inception date, the upfront payment is separated into deposit placed and prepayment of life insurance premium, amounting to US$1,036,000 (equivalent to RMB6,563,000) and US$477,000 (equivalent to RMB3,021,000), respectively, according to the terms set out in the policy. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The deposit placed for the life insurance policy carries guaranteed interests at interest rates ranging from 2% to 4.2% per annum plus a premium determined by the insurance company during the tenures of the policy. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the insurance policy, excluding the financial effect of surrender charge.

19. PREPAYMENT AND DEPOSIT PAID FOR A LIFE INSURANCE POLICY (CONTINUED)

Particulars of the policy are as follows:

		Guaranteed interest rates	
Insured sum	**Upfront payment**	**First year**	**Second year and onwards**
US$9,500,000 (equivalent to RMB60,182,000)	US$1,513,000 (equivalent to RMB9,584,000)	4.2% per annum	2% per annum

The carrying amounts of deposit placed and prepayment of life insurance premium at 31 December 2017 and 2016 are set out as below:

	2017 RMB'000	2016 RMB'000
Deposit paid	**6,759**	6,660
Prepayment	**2,685**	2,853
	9,444	9,513

The carrying amounts of the prepayment and deposit paid for a life insurance policy as at 31 December 2017 and 2016 approximate the Cash Value of the insurance policy and the expected life of the policy remained unchanged from the initial recognition. The entire balance of the life insurance policy is denominated in United States dollars ("US$").

20. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

The Group entered into framework agreements ("Framework Agreements") with independent third parties in relation to the acquisition of a number of companies which are principally engaged in property development in the PRC. As at 31 December 2017, the Group had made deposits of RMB1,524,053,000 (31 December 2016: RMB1,400,000,000) in relation to these acquisitions. According to the Framework Agreements, in case of incompletion of the acquisitions, the deposits paid will be fully refunded to the Group.

21. DEFERRED TAX

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the years:

	Accrued LAT	Fair value of investment properties	Revaluation of properties under development	Deferred income	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	21,196	(207,739)	–	102,278	41,953	(42,312)
Credit (charge) to profit or loss	65,424	(84,456)	–	7,971	(22,149)	(33,210)
Arising on acquisition of business *(Note 34)*	–	–	(42,371)	–	–	(42,371)
At 31 December 2016	86,620	(292,195)	(42,371)	110,249	19,804	(117,893)
Credit (charge) to profit or loss	76,532	(52,217)	–	65,633	1,154	91,102
At 31 December 2017	163,152	(344,412)	(42,371)	175,882	20,958	(26,791)

Analysed for reporting purpose as:

	2017	2016
	RMB'000	RMB'000
Deferred tax assets	**359,992**	216,673
Deferred tax liabilities	**(386,783)**	(334,566)
	(26,791)	(117,893)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB1,633,759,000 (31 December 2016: RMB790,036,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

21. DEFERRED TAX (CONTINUED)

At 31 December 2017, the Group had unused tax losses of RMB338,850,000 (2016: RMB187,812,000), available to offset against future profits. Deferred tax assets have been recognised in respect of tax losses of RMB83,832,000 (2016: RMB79,216,000). No deferred tax asset has been recognised for the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	2017 RMB'000	2016 RMB'000
2017	**–**	19,268
2018	**3,178**	12,336
2019	**29,502**	29,663
2020	**19,911**	19,911
2021	**13,070**	27,418
2022	**189,357**	–
	255,018	108,596

22. INVENTORIES OF PROPERTIES

The Group's inventories of properties are situated in the PRC. All of the inventories of properties are stated at the lower of cost and net realisable value. As at 31 December 2017, properties under development of RMB11,537,331,000 (2016: RMB5,715,960,000) is expected to be realised after twelve months from the end of the reporting date.

	2017 RMB'000	2016 RMB'000
Properties held for sale	**741,992**	730,211
Properties under development	**17,622,382**	9,836,441
	18,364,374	10,566,652

23. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2017 RMB'000	2016 RMB'000
Contract costs incurred plus recognised profit less recognised losses	–	1,342,486
Less: Progress billings	–	(1,231,906)
	–	110,580

There were no retentions held by customers for contract works at 31 December 2017 and 2016.

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 RMB'000	2016 RMB'000
Rental receivables	39,903	38,212
Prepaid construction costs	358,614	494,151
Prepaid business and other taxes	214,884	218,002
Deposits for acquisition of land use rights	26,040	1,466
Projects related deposits	289,944	99,156
Deposits for trust financing arrangements *(Note i)*	63,925	4,800
Other deposits *(Note ii)*	251,186	20,368
Bills receivables	3,870	700
Advances to staff	–	22,411
Loans receivable *(Note iii)*	733,721	–
Other receivables *(Note iv)*	135,048	269,703
	2,117,135	1,168,969

Notes:

(i) The amounts are deposited in trust financing companies for raising trust loans to subsidiaries of the Group. The deposits will be refunded to the Group upon final repayments of the trust loans.

(ii) Other deposits as at 31 December 2017 mainly represent temporary payments paid for potential property development projects to local government. There is no fixed repayment term for these other deposits and the directors of the Company consider they are repayable upon the payment for construction costs.

(iii) Loans receivable represent loans to independent third parties which are unsecured, interest bearing at ranging from 12% to 23% per annum and repayable within one year.

(iv) Other receivables mainly represent temporary payments made to contractors and advances to contractors.

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The Group allows an average credit period of 30 days to its trade customers. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the year.

No allowance for doubtful debts on trade and other receivables are noted at 31 December 2017 and 2016.

25. RESTRICTED/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits are denominated in RMB and comprise (i) deposits pledged to banks as at 31 December 2017, to secure the mortgage guarantees provided to customers, amounting to RMB27,407,000 (2016: RMB25,805,000) which will be released upon obtaining building ownership certificates by buyers; and (ii) deposits pledged to banks as at 31 December 2017, to secure bank borrowings raised by the Group, amounting to RMB837,178,000 (2016: RMB107,640,000). The deposits carry fixed rates of interest ranging from 1.35% to 2.20% per annum at 31 December 2017 (2016: 0.35% to 1.95% per annum).

Restricted bank deposits are balances which, in accordance with the applicable government regulations prevailing as at 31 December 2017, are placed in restricted bank deposits, amounting to RMB136,842,000 (2016: RMB305,350,000) which can only be applied in designated property development projects. These bank balances carry prevailing interest at 0.38% per annum at 31 December 2017 (2016: 0.35% per annum).

Bank balances and cash comprise cash held by the Group and demand deposits with an original maturity of three months or less. Bank balances carry prevailing market interest rates ranging from 0.01% to 2.20% per annum at 31 December 2017 (2016: ranging from 0.01% to 2.30% per annum).

Analysis of restricted/pledged bank deposits/bank balances and cash by currency:

	2017 RMB'000	2016 RMB'000
– Denominated in RMB	**3,867,404**	1,216,874
– Denominated in Hong Kong dollars ("HK$")	**1,439,009**	156,750
– Denominated in US$	**1,410,264**	42,824
– Denominated in Canadian dollars	**10**	–
– Denominated in AUD	**14**	–
	6,716,701	1,416,448

26. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES/PRE-SALE DEPOSITS RECEIVED

	2017 RMB'000	2016 RMB'000
Trade payables	**529,098**	405,118
Business and other taxes payable	**286,322**	18,889
Accrued charges *(Note i)*	**177,531**	123,892
Deferred income *(Note ii)*	**703,456**	442,629
Payables for acquisition of land	**–**	39,143
Deposits related to sales of properties	**–**	49,222
Consideration payable for acquisition of subsidiaries *(Note 33)*	**322,700**	98,052
Deposits and other payables *(Note iii)*	**409,763**	224,987
Other unsecured interest-free advances	**–**	86,470
	2,428,870	1,488,402
Less: Non-current portion of deferred income	**(693,230)**	(436,341)
Current portion	**1,735,640**	1,052,061

Notes:

(i) Accrued charges mainly include construction cost accrued based on construction progress.

(ii) Deferred income represents deferred income arising from transfer of land use right of underground carparks which no building ownership certificate has been obtained by the Group. The income arising from sales of underground carparks is released to profit or loss as rental income and amortised on a straight line basis over the period of the land use right.

(iii) Deposits and other payables mainly represent various deposits received from contractors in relation to tendering and execution of construction contracts.

Trade payables comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The average credit period of trade payable is 30 days.

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
0–30 days	**269,841**	193,649
31–90 days	**68,783**	60,353
91–180 days	**37,037**	20,150
181–360 days	**26,454**	20,702
Over 360 days	**126,983**	110,264
	529,098	405,118

As at 31 December 2017, pre-sale deposits received of RMB1,112,645,000 (2016: RMB595,303,000) is expected to be realised after twelve months from the end of the reporting date.

27. BANK AND OTHER BORROWINGS

	2017 RMB'000	2016 RMB'000
Bank loans, secured	**4,618,427**	1,680,690
Trust loans, secured *(Note (d))*	**4,778,220**	1,588,000
Other loans, secured *(Note (e))*	**1,527,304**	2,400,000
Other loans, unsecured	**–**	31,370
	10,923,951	5,700,060

Bank and other borrowings amounting to RMB10,923,951,000 as at 31 December 2017 (2016: RMB5,668,690,000) are secured by the pledge of assets as set out in note 36, out of which RMB788,019,000 (2016: RMB654,271,000) are also guaranteed by a director of the Company and related parties as set out in note 40(d).

Notes:

(a) The borrowings are repayable:

	2017 RMB'000	2016 RMB'000
Within one year or on demand	**3,233,346**	3,385,640
More than one year, but not exceeding two years	**3,884,220**	2,314,420
More than two years, but not exceeding five years	**3,806,385**	–
	10,923,951	5,700,060
Less: Amount due within one year or on demand shown under current liabilities	**(3,233,346)**	(3,385,640)
Amount shown under non-current liabilities	**7,690,605**	2,314,420

At 31 December 2017, the Group has unutilised banking facilities of RMB1,619,947,000 (2016: RMB203,580,000).

Except for bank and other borrowings of RMB2,261,099,000 which are denominated in HK$ as at 31 December 2017 (2016: RMB74,270,000), all the bank and other borrowings are denominated in RMB.

(b) Fixed-rate borrowings amounting to RMB10,835,932,000 carry interest ranging from 1.35% to 10% per annum at 31 December 2017 (2016: RMB5,625,790,000 carry interest ranging from 4% to 20% per annum), and expose the Group to fair value interest rate risk. The remaining borrowings amounting to RMB88,019,000 (2016: RMB74,270,000) are arranged at variable rates with the effective interest rates ranging from 1.77% to 4.14% per annum at 31 December 2017 (2016: ranging from 1.72% to 3.22% per annum), and expose the Group to cash flow interest rate risk.

(c) The range of effective interest rates at the end of each reporting period is as follows:

	2017	2016
Bank loans	**1.35% to 9%**	1.72% to 15.96%
Trust loans	**8.5% to 10%**	9.8% to 14.5%
Other loans	**9% to 9.5%**	9.5% to 20%

27. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(d) The borrowings are in the form of trust arrangement with trust financing companies. The conventional loan arrangements are loan agreements entered into between the Group and trust financing companies.

The following table sets out details of the trust loans as at 31 December 2017 and 2016:

Name of subsidiary	2017 RMB'000	2016 RMB'000	Maturity date
Haiyi International Land (Taicang) Co., Limited ("Haiyi Taicang")	**400,000**	–	27 May 2019
Nanjing Gangyuan	**241,700**	241,700	23 September 2018
Nanjing Gangyuan	**238,300**	238,300	12 October 2018
Nanjing Xinhaoning Property Development Co., Limited ("Nanjing Xinhaoning")	**700,000**	–	30 December 2018
Siyang Fengyuan Property Development Co., Limited ("Siyang Fengyuan")	**–**	280,000	31 March 2017
Siyang Fengyuan	**209,900**	–	9 March 2019
Siyang Fengyuan	**12,000**	–	8 September 2019
Siyang Fengyuan	**10,900**	–	15 September 2019
Siyang Fengyuan	**50,000**	–	28 March 2019
Siyang Fengyuan	**50,000**	–	30 April 2019
Siyang Fengyuan	**15,700**	–	23 May 2019
Siyang Fengyuan	**16,700**	–	7 June 2019
Siyang Fengyuan	**8,200**	–	20 June 2019
Taixing Guangyuan Property Development Co., Limited ("Taixing Guangyuan")	**229,976**	258,400	28 October 2018
Taixing Guangyuan	**101,816**	114,400	4 November 2018
Taixing Guangyuan	**42,987**	48,300	11 November 2018
Taixing Guangyuan	**35,155**	39,500	18 November 2018
Taixing Guangyuan	**15,486**	17,400	25 November 2018
Taixing Guangyuan	**100,000**	–	10 August 2018
Taixing Guangyuan	**200,000**	–	12 August 2018
Taixing Guangyuan	**329,500**	–	27 April 2019
Taixing Guangyuan	**20,500**	–	5 May 2019
Taixing Hengyuan Property Development Co., Limited ("Taixing Hengyuan")	**–**	150,000	29 July 2017
Taixing Hengyuan	**–**	200,000	30 September 2017
Taizhou Jia Yuan Property Development Limited ("Taizhou Jia Yuan")	**50,000**	–	20 October 2019
Taizhou Jia Yuan	**4,800**	–	30 November 2019
Taizhou Jia Yuan	**8,600**	–	14 December 2019
Yangzhou Guangyuan Property Management Limited	**650,000**	–	30 August 2019
Yangzhou Guoyuan Property Development Co., Limited ("Yangzhou Guoyuan")	**750,000**	–	3 November 2019
Yangzhou Guoyuan	**286,000**	–	3 November 2020
	4,778,220	1,588,000	

(e) Other loans mainly represent secured loans from asset management companies.

28. SENIOR NOTES

	2017 **RMB'000**	2016 RMB'000
2016 senior notes due September 2018 *(Note i)*	**665,387**	695,650
2017 senior notes due October 2018 *(Note ii)*	**1,036,291**	–
2017 senior notes due November 2018 *(Note iii)*	**1,980,058**	–
2017 senior notes due April 2019 *(Note iv)*	**326,201**	–
2017 senior notes due May 2019 *(Note v)*	**323,015**	–
	4,330,952	695,650
Less: Amount due within one year shown under current liabilities	**(3,681,736)**	–
Amount due after one year	**649,216**	695,650

The movement of senior notes for the year is set out below:

	2017 **RMB'000**	2016 RMB'000
At the beginning of the year	**695,650**	–
Proceed on issuance of senior notes	**3,684,747**	667,760
Exchange (gain) loss	**(98,467)**	6,164
Interest expenses *(Note 8)*	**158,249**	21,726
Interest paid during the year	**(109,227)**	–
At the end of the year	**4,330,952**	695,650

Notes:

(i) In 2016, the Company issued senior secured notes with a principal amount of US$100,000,000 due in 2018 (the "2018 Senior Notes") which are listed on the Stock Exchange. The 2018 Senior Notes, bearing interest at a fixed rate of 9.75% per annum with interest payable semi-annually in arrears, will mature in September 2018.

On or after 15 September 2017, the Company may redeem the 2018 Senior Notes, in whole or in part, at a redemption price equal to 105% of the principal amount of the 2018 Senior Notes, plus accrued and unpaid interest, if any, to (but excluding) the redemption date. The Company must make an offer to repurchase all 2018 Senior Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of a change of control triggering event or a delisting event as defined in the offering circular. In the opinion of directors, the fair values of the early redemption options are insignificant at initial recognition and the end of the reporting period.

28. SENIOR NOTES (CONTINUED)

Notes: (Continued)

(ii) In 2017, the Company issued senior secured notes with a principal amount of US$160,000,000 due in October 2018 (the "October 2018 Senior Notes"). The October 2018 Senior Notes, bearing interest at a fixed rate of 8% per annum with interest payable semi-annually in arrears, will mature in October 2018.

(iii) In 2017, the Company issued senior secured notes with a principal amount of US$300,000,000 due in November 2018 (the " November 2018 Senior Notes") which are listed on the Stock Exchange. The November 2018 Senior Notes, bearing interest at a fixed rate of 8.25% per annum with interest payable semi-annually in arrears, will mature in November 2018.

(iv) In 2017, the Company issued senior secured notes with a principal amount of US$50,000,000 due in April 2019 (the "April 2019 Senior Notes"). The April 2019 Senior Notes, bearing interest at a fixed rate of 8.5% per annum with interest payable quarterly in arrears, will mature in April 2019.

On or after 7 April 2018, the Company may, at its option, redeem the April 2019 Senior Notes, in whole or in part, at a redemption price equal to 105% of the principal amount of the April 2019 Senior Notes, plus accrued and unpaid interest, if any, to (but excluding) the redemption date. In the opinion of directors, the fair values of the early redemption options are insignificant at initial recognition and the end of the reporting period.

(v) In 2017, the Company issued senior secured notes with a principal amount of US$50,000,000 due in May 2019 (the "May 2019 Senior Notes"). The May 2019 Senior Notes, bearing interest at a fixed rate of 8.5% per annum with interest payable quarterly in arrears, will mature in May 2019.

On or after 19 May 2018, the Company may, at its option, redeem the May 2019 Senior Notes, in whole or in part, at a redemption price equal to 105% of the principal amount of the May 2019 Senior Notes, plus accrued and unpaid interest, if any, to (but excluding) the redemption date. In the opinion of directors, the fair values of the early redemption options are insignificant at initial recognition and the end of the reporting period.

29. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised		
At 31 December 2016, 1 January 2017 and 31 December 2017	10,000,000,000	100,000
Issued and fully paid		
At 1 January 2016	1	–
Capitalisation issue *(Note i)*	1,349,999,999	13,500
Arising from initial public offering upon listing *(Note i)*	450,000,000	4,500
Exercise of over-allotment option *(Note ii)*	67,500,000	675
At 31 December 2016 and 1 January 2017	1,867,500,000	18,675
Placing and subscription of shares in June 2017 *(Note iii)*	352,500,000	3,525
Placing and subscription of shares in December 2017 *(Note iv)*	232,000,000	2,320
At 31 December 2017	2,452,000,000	24,520

Shown in the consolidated financial statements as:

	RMB'000
At 31 December 2017	20,564
At 31 December 2016	15,558

Notes:

(i) On 8 March 2016, the Company completed the initial public offering of its shares on the Stock Exchange with the issue of 450,000,000 new shares of the Company at HK$2.48 each amounting to HK$1,116,000,000 (equivalent to RMB929,740,000) to public shareholders. The Company intends to use the net proceeds to fund the construction costs of existing property development projects, the land acquisition costs and construction costs of potential property development projects, and general working capital purposes. Also, upon the share premium account of the Company being credited as a result of the global offering of the Company's shares, the Company capitalised the amount of approximately HK$13,500,000 (equivalent to RMB11,247,000) from the amount standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,349,999,999 shares for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 12 February 2016, in proportion (or as nearly as possible without fractions) to their then respective shareholdings of the Company.

29. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(ii) On 30 March 2016, the Company further allotted and issued 67,500,000 new shares at HK$2.48 each amounting to HK$167,400,000 (equivalent to RMB139,461,000) upon the exercise of the over-allotment option by the sole global coordinator.

(iii) On 19 June 2017, the Company further issued 352,500,000 shares of HK$0.01 each amounting to HK$3,525,000 (equivalent to RMB3,067,000) to independent third parties by the placing and subscription. The shares issued and fully paid increased from HK$18,675,000 to HK$22,200,000.

(iv) On 28 December 2017, the Company further issued 232,000,000 shares at HK$0.01 each amounting HK$2,320,000 (equivalent to RMB1,939,000) to independent third parties by the placing and subscription. The shares issued and fully paid increased from HK$22,200,000 to HK$24,520,000.

30. CAPITAL RISK MANAGEMENT

The directors of the Company manage its capital to ensure that 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 balances.

The capital structure of the Group consists of net debts, which include amounts due to related parties, bank and other borrowings and senior notes, as disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Held-to-maturity investment	–	129,796
Loans and receivables (including cash and cash equivalents)	**8,157,935**	1,497,747
Available-for-sale investment	**59,678**	53,820
Financial liabilities		
Amortised cost	**16,115,148**	7,026,937

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, held-to-maturity investment, deposit paid for a life insurance policy, trade and other receivables, amounts due from related parties, restricted/pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, bank and other borrowings and senior notes. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency 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.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures during the year reported.

(i) Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits, available-for-sale investment, held-to-maturity investment, loans receivable, bank and other borrowings and senior notes.

The Group is also exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on restricted bank deposits, bank balances, variable-rate bank and other borrowings which carry interest at prevailing market interest rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Inter-bank Offered Rate and the lending rate quoted by the People's Bank of China arising from the Group's bank and other borrowings.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity analysis

The sensitivity analysis below has been prepared based on the exposure to interest rates for bank and other borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the respective reporting period. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rate had been of 100 basis points higher/lower and all other variables held constant, the Group's profit for the year would decrease/increase by approximately RMB660,000 for the year ended 31 December 2017 (2016: RMB557,250).

No sensitivity analysis has been prepared for the exposure to interest rate risk on the Group's bank balances and deposits as the directors of the Company consider that the exposure is minimal.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Foreign currency risk

The Group collects all of its revenue in RMB and most of the expenditures including expenditures incurred in property sales as well as capital expenditures are also denominated in RMB.

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2017 and 2016, the Group has available-for-sale investment, held-to-maturity investment, deposit paid for a life insurance policy, bank balances and cash, bank borrowings and senior notes denominated in foreign currencies as set out in notes 17, 18, 19, 25, 27 and 28, respectively, which expose the Group to foreign currency risk and mainly concentrated on the exposure to AUD, US$ and HK$.

Foreign currency sensitivity analysis

No sensitivity analysis has been presented on the exposure to foreign currency risk on the Group's foreign currency denominated deposit paid for a life insurance policy as the directors of the Company consider that the exposure is minimal.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the Group's held-to-maturity investment, available-for-sale investment, restricted/pledged bank deposits, bank balances and cash, bank and other borrowings and senior notes denominated in the foreign currency at the end of each reporting period. A positive/negative number below indicates an increase/decrease in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year.

	US$ Impact		AUD Impact		HK$ Impact	
	2017 **RMB'000**	2016 RMB'000	**2017** **RMB'000**	2016 RMB'000	**2017** **RMB'000**	2016 RMB'000
Increase (decrease) in profit for the year	**146,922**	32,308	**(1)**	(6,490)	**38,120**	(6,815)

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in note 39.

In order to minimise the credit risk, the management of 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 management of the Group reviews the recoverable amount of each debtor 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 credit risk is significantly reduced.

There are no amounts due from related parties as at 31 December 2017. As at 31 December 2016, the balance mainly represented the amount due from 嘉興市博源建築設計有限公司 ("Jiaxing Boyuan"), which represented 90.9% of the balances. Jiaxing Boyuan is engaged in project design and decoration in the PRC. The directors of the Company consider the credit risk on the balances is limited.

Apart from loans receivable and amounts due from related parties (refer to note 40(e)), the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The Group has concentration of credit risk as 35% (31 December 2016: Nil) of the total trade and other receivables, deposits and prepayments represents loans receivable due from independent third parties. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at the end of the year reported.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies. For held-to-maturity investment, the management of the Group reviews that the market price is generally higher than the carrying amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

For properties that are presold but development have not been completed, the Group 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 80% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and re-sell the repossessed properties. Therefore, the directors of the Company consider the Group would likely recover any loss incurred arising from the guarantee by it. The directors of the Company consider the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market prices of the properties are higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk

The directors of the Company closely monitor the cash flows of the Group and, upon maturity, would arrange the renewal and refinancing of the bank loans, where necessary, to enable the Group to carry on its operations in the foreseeable future. In this regard, the directors of the Company consider that the Group's liquidity risk is significantly reduced.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have 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 which are repayable on demand are included in the earliest time band. 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.

	Interest rate	On demand or within 1 year RMB'000	1–2 years RMB'000	2-5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2017 RMB'000
Trade and other payables	–	853,669	–	–	853,669	853,669
Bank and other borrowings						
– Fixed rate	7.37%	3,706,681	4,540,474	4,105,317	12,352,472	10,835,932
– Variable rate	2.56%	88,019	–	–	88,019	88,019
Senior notes	8.46%	3,999,265	671,216	–	4,670,481	4,330,952
Amounts due to related parties	–	6,576	–	–	6,576	6,576
		8,654,210	5,211,690	4,105,317	17,971,217	16,115,148
Financial guarantee						
– Mortgage guarantees	–	4,586,918	–	–	4,586,918	–
		13,241,128	5,211,690	4,105,317	22,558,135	16,115,148

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk (Continued)

	Interest rate	On demand or within 1 year RMB'000	1–2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2016 RMB'000
Trade and other payables	–	631,087	–	631,087	631,087
Bank and other borrowings					
– Fixed rate	10.38%	3,781,917	2,271,346	6,053,263	5,625,790
– Variable rate	2.06%	74,270	–	74,270	74,270
Senior notes	9.75%	67,826	653,476	721,302	695,650
Amount due to a related party	–	140	–	140	140
		4,555,240	2,924,822	7,480,062	7,026,937
Financial guarantee					
– Mortgage guarantees	–	3,376,367	–	3,376,367	–
		7,931,607	2,924,822	10,856,429	7,026,937

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.

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 each 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.

(c) Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their fair values as at 31 December 2017 and 2016.

32. 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.

	Bank and other borrowings RMB'000 *(Note 27)*	Senior notes RMB'000 *(Note 28)*	Other unsecured interest free advances RMB'000 *(Note 26)*	Total RMB'000
At 1 January 2017	5,700,060	695,650	86,470	6,482,180
Financing cash flows	4,343,588	3,575,520	(86,470)	7,832,638
Foreign exchange translation	(6,217)	(98,467)	–	(104,684)
Interest expenses	886,520	158,249	–	1,044,769
At 31 December 2017	10,923,951	4,330,952	–	15,254,903

33. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

Subsidiaries acquired in 2017

(a) On 25 May 2017, the Group acquired 100% equity interest in Haiyi Taicang for a consideration of RMB230,000,000. This acquisition has been accounted for as purchase of assets and liabilities. Haiyi Taicang is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Consideration transferred

	RMB'000
Cash paid	**187,300**
Consideration payable	**42,700**
Total cash consideration	**230,000**

33. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2017 (Continued)

(a) (Continued)

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property and equipment	174
Current assets	
Inventories of properties – under development	237,089
Other receivables	75,654
Bank balances and cash	259
Current liability	
Trade and other payables	(83,176)
Net assets	230,000

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	187,300
Less: Bank balances and cash acquired	(259)
	187,041

33. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2017 (Continued)

(b) On 30 June 2017, a 70% owned subsidiary acquired 100% equity interest in Yangzhou Jialian Property Development Co., Limited ("Yangzhou Jialian") for a consideration of RMB890,000,000. This acquisition has been accounted for as purchase of assets and liabilities. Yangzhou Jialian is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Consideration transferred

	RMB'000
Cash paid	750,000
Deposit paid in previous year	140,000
Total cash consideration	890,000

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Current asset	
Inventories of properties – under development	890,378
Current liability	
Other payable	(378)
Net assets	890,000

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	750,000

33. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2017 (Continued)

(c) On 16 November 2017, the Group acquired 100% equity interest in Yangzhou Yurun Property Development Co., Limited ("Yangzhou Yurun") for a consideration of RMB2,450,000,000. This acquisition has been accounted for as purchase of assets and liabilities. Yangzhou Yurun is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Consideration transferred

	RMB'000
Cash paid	2,390,000
Consideration payable	60,000
Total cash consideration	2,450,000

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property and equipment	1,010
Current assets	
Inventories of properties – under development	3,043,343
Other receivables and prepayment	104,768
Bank balances and cash	29,687
Current liabilities	
Trade and other payables	(246,995)
Pre-sale deposits received	(481,813)
Net assets	2,450,000

33. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2017 (Continued)

(c) (Continued)

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	2,390,000
Less: Bank balances and cash acquired	(29,687)
	2,360,313

(d) On 29 December 2017, the Group completed acquisition of 100% equity interest in Shenzhen Songling Industrial Co., Ltd. ("Shenzhen Songling") for a consideration of RMB930,000,000. This acquisition has been accounted for as purchase of assets and liabilities. Shenzhen Songling is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Consideration transferred

	RMB'000
Cash paid	100,000
Deposit paid in previous year	610,000
Consideration payable	220,000
Total cash consideration	930,000

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property and equipment	391
Current assets	
Inventories of properties – under development	786,873
Other receivables and prepayments	142,113
Bank balances and cash	851
Current liability	
Trade and other payables	(228)
Net assets	930,000

33. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2017 (Continued)

(d) (Continued)

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	100,000
Less: Bank balances and cash acquired	(851)
	99,149

(e) On 18 September 2017, the Group acquired 100% equity interest in MJY Property Limited ("MJY Property") for a consideration of MOP25,000 (equivalent to approximately RMB21,000). This acquisition has been accounted for as purchase of assets and liabilities. MJY Property is engaged in the property development operations, and was acquired from related parties so as to continue the expansion of the Group's property development operations.

Consideration transferred

	RMB'000
Cash paid	21

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Current asset	
Other receivables	30
Current liability	
Trade and other payables	(9)
Net assets	21

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	21

33. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2016

(a) On 27 June 2016, the Group acquired 100% equity interest in Yangzhou Xiangjiang New City Center Property Co., Ltd. ("Yangzhou Xiangjiang") for a consideration of RMB816,279,000. This acquisition has been accounted for as purchase of assets and liabilities. Yangzhou Xiangjiang is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Consideration transferred

	RMB'000
Cash paid	816,279

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property and equipment	14
Current assets	
Inventories of properties – under development	817,260
Other receivables	58
Bank balances and cash	200
Current liability	
Trade and other payables	(1,253)
Net assets	816,279

33. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2016 (Continued)

(a) (Continued)

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	816,279
Less: Bank balances and cash acquired	(200)
	816,079

(b) On 17 October 2016, the Group acquired 100% equity interest in Hengli Property Nantong Co., Limited ("Hengli Nantong") for a consideration of RMB416,732,000. This acquisition has been accounted for as purchase of assets and liabilities. Hengli Nantong is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Consideration transferred

	RMB'000
Cash paid	416,732

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property and equipment	306
Current assets	
Inventories of properties – under development	658,823
Other receivables and prepayments	1,568
Bank balances and cash	33,698
Current liabilities	
Trade and other payables	(651)
Amount due to immediate holding company	(271,940)
Amount due to a fellow subsidiary	(5,072)
Net assets	416,732

33. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired in 2016 (Continued)

(b) (Continued)

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	416,732
Less: Bank balances and cash acquired	(33,698)
	383,034

34. ACQUISITION OF BUSINESS

On 15 October 2016, the Group acquired 80% equity interest in Jiangsu De Run for a consideration of RMB257,552,000. This acquisition has been accounted for using the purchase method because Jiangsu De Run has started to pre-sale the properties under development at the date of acquisition. The amount of bargain purchase arising as a result of the acquisition was RMB102,498,000. Jiangsu De Run is engaged in the property development operations, and was acquired from independent third parties so as to continue the expansion of the Group's property development operations.

Consideration transferred

	RMB'000
Cash paid	159,500
Consideration payable	98,052
Total consideration	257,552

34. ACQUISITION OF BUSINESS (CONTINUED)

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Non-current asset	
Property and equipment	197
Current assets	
Inventories of properties – under development	598,000
Other receivables and prepayments	18,736
Bank balances and cash	2,406
Current liabilities	
Trade and other payables	(1,627)
Pre-sale deposits received	(125,278)
Deferred tax liabilities	(42,371)
Net assets	450,063

Gain on bargain purchase arising on acquisition

	RMB'000
Consideration	257,552
Add: Non-controlling interests (20% of Jiangsu De Run)	90,013
Less: Net assets acquired	(450,063)
Gain on bargain purchase arising on acquisition	(102,498)

The non-controlling interests (20%) in Jiangsu De Run recognised at the acquisition date was measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets acquired of the non-controlling interests and amounted to RMB90,013,000.

Net cash flows on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	159,500
Less: Bank balances and cash acquired	(2,406)
	157,094

35. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in defined contribution retirement schemes administrated by the local municipal government. The Company's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary as required by local municipal government to the schemes to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the scheme, which contributions is matched by employees.

36. PLEDGE OF ASSETS

The following assets were pledged to secure the mortgage guarantees provided to customers and certain banking and other facilities granted to the Group at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
Pledged bank deposits	**864,585**	133,445
Prepayment and deposit paid for a life insurance policy	**9,444**	9,513
Property and equipment	**75,580**	77,215
Investment properties	**998,000**	1,139,599
Properties under development	**14,669,409**	9,185,976
Properties held for sale	**214,935**	176,035
	16,831,953	10,721,783

37. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of leased properties under non-cancellable operating leases which fall due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**1,233**	901
In the second to fifth year inclusive	**843**	120
	2,076	1,021

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for terms ranging from 1 to 2 years (2016: ranging from 1 to 2 years) with fixed rentals.

37. OPERATING LEASE COMMITMENTS (CONTINUED)

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	**25,435**	14,472
In the second to fifth year inclusive	**94,996**	70,312
After five years	**101,694**	96,189
	222,125	180,973

Leases are negotiated for terms ranging from 1 to 15 years (2016: 1 to 10 years) with fixed rentals.

38. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	2017 RMB'000	2016 RMB'000
Contracted but not provided for in the consolidated financial statements:		
– Expenditure in respects of projects classified as properties under development for sales and investment properties under construction	**3,473,837**	3,696,866

39. CONTINGENT LIABILITIES

	2017 RMB'000	2016 RMB'000
Mortgage guarantees	**4,586,918**	3,376,367

The Group provided guarantees in respect of mortgage bank loans granted to purchasers of the Group's properties. Guarantees are given to banks with respect of loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the purchasers obtaining the relevant building ownership certificate and completion of the relevant mortgage registration.

In the opinion of the directors of the Company, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of default by the purchasers of the Group's properties is remote, accordingly, no value has been recognised at the inception of the guarantee contracts and as at 31 December 2017 and 2016.

40. RELATED PARTY TRANSACTIONS AND BALANCES

The Group entered into the following significant transactions with its related parties during the year:

(a) Procurement of intelligent system equipment

	2017 RMB'000	2016 RMB'000
Zhejiang Xigu Digital Technology Co., Ltd. ("Zhejiang Xigu") 浙江西谷數字技術股份有限公司 (formerly known as 浙江西谷數字技術有限公司)	**12,782**	9,072
Jiaxing City Deyu Electronics Technology Co., Ltd. ("Jiaxing Deyu") 嘉興市德宇電子科技有限公司	**1,871**	907

Zhejiang Xigu and Jiaxing Deyu are controlled by close family members of the Ultimate Shareholder.

(b) Architectural design fee

	2017 RMB'000	2016 RMB'000
Jiaxing Boyuan	**14,429**	12,279

Jiaxing Boyuan is an entity controlled by the Ultimate Shareholder.

(c) Property management fee

	2017 RMB'000	2016 RMB'000
Zhejiang Jia Yuan Property Management Co., Ltd. ("Jia Yuan Property") 浙江佳源物業管理有限公司	**13,938**	9,318

Jia Yuan Property is an entity controlled by the Ultimate Shareholder.

(d) Financial guarantees provided by a director of the Company, a related party whom is the spouse of a director of the Company and a related company which is under common control of the Ultimate Shareholder for bank and other borrowings of the Group:

	2017 RMB'000	2016 RMB'000
Bank and other borrowings guaranteed by a director of the Company and related parties	**788,019**	654,271

40. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(e) Related party balances

At the end of each year, the Group has the following significant balances with related parties:

	2017 RMB'000	2016 RMB'000
Amounts due from related parties		
Trade nature		
Jiaxing Boyuan	–	3,578
Zhejiang Xigu	–	–
Jiaxing Deyu	–	356
	–	3,934

	2017 RMB'000	2016 RMB'000
Amounts due to related parties		
Trade nature		
Jiaxing Boyuan	4	–
Zhejiang Xigu	5,804	140
Jiaxing Deyu	768	–
	6,576	140

The above balances are unsecured, non-interest bearing and repayable on demand.

(f) 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	12,090	9,600
Post-employment benefits	222	225
	12,312	9,825

The remuneration of directors and other key executives is determined having regard to the performance of individuals and market trends.

41. PARTICULARS OF SUBSIDIARIES

(a) Particulars of the Company's subsidiaries at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Group				Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
		Directly		Indirectly				
		2017	2016	2017	2016			
Jiayuan Investment Management Limited 佳源投資管理有限公司	BVI 8 May 2015	100%	100%	–	–	US$1	Hong Kong	Investment holding
Jiayuan Commercial Properties Company Limited 佳源商業地產有限公司	BVI 10 November 2015	100%	100%	–	–	US$1	Hong Kong	Investment holding
Hong Kong Jiayuan Commercial Properties Limited 香港佳源商業地產有限公司	Hong Kong 30 November 2015	–	–	100%	100%	HK$10,000	Hong Kong	Investment holding
Hong Kong Jia Yuan Holdings Limited 香港佳源集團有限公司	Hong Kong 29 April 2008	–	–	100%	100%	HK$990,000	Hong Kong	Investment and property holding
Guo Xiang Property Co., Limited 國祥房地產有限公司	Hong Kong 2 October 2003	–	–	100%	100%	HK$10,000	Hong Kong	Investment holding
Nanjing Xinhaoning Property Development Co., Limited 南京新浩寧房地產開發有限公司	PRC, Sino-foreign joint venture enterprise 11 August 2005	–	–	100%	100%	US$99,000,000	PRC	Property development
Nanjing Gangyuan Investment Consulting Co., Limited 南京港源投資諮詢有限公司	PRC, wholly foreign owned enterprise 27 May 2015	–	–	100%	100%	RMB1,000,000	PRC	Investment holding
Nanjing Jia Feng Investment Management Co., Limited 南京嘉豐投資管理有限公司	PRC, domestic enterprise 27 December 2011	–	–	100%	100%	RMB5,000,000	PRC	Investment holding
Changzhou Jinyuan Property Development Co., Limited 常州金源房地產開發有限公司	PRC, wholly foreign owned enterprise 7 August 2013	–	–	100%	100%	RMB70,500,000	PRC	Property development

41. PARTICULARS OF SUBSIDIARIES (CONTINUED)

(a) Particulars of the Company's subsidiaries at 31 December 2017 and 2016 are as follows: (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Group				Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
		Directly		Indirectly				
		2017	2016	2017	2016			
Suqian Jia Yuan Property Development Co., Limited ("Suqian Jia Yuan") 宿遷市佳源房地產開發有限公司	PRC, domestic enterprise 7 August 2009	–	–	90%	90%	RMB60,000,000	PRC	Property development
Siyang Fengyuan Property Development Co., Limited 泗陽豐源房地產開發有限公司	PRC, domestic enterprise 6 March 2012	–	–	100%	100%	RMB50,000,000	PRC	Property development and investment
Taixing Guangyuan Property Development Co., Limited 泰興市廣源房地產開發有限公司	PRC, domestic enterprise 17 November 2009	–	–	100%	100%	RMB300,000,000	PRC	Property development and investment
Taixing Hengyuan Property Development Co., Limited 泰興市恒源房地產開發有限公司	PRC, domestic enterprise 16 February 2012	–	–	100%	100%	RMB26,670,000	PRC	Property development and investment
Taixing Mingyuan Property Development Co., Limited 泰興市明源房地產開發有限公司	PRC, wholly foreign owned enterprise 25 October 2013	–	–	100%	100%	US$10,000,000	PRC	Property development
Taizhou Jia Yuan Property Development Co., Limited 泰州市佳源房地產開發有限公司	PRC, domestic enterprise 31 July 2007	–	–	100%	100%	RMB140,000,000	PRC	Property development and investment
Taizhou Mingyuan Property Development Co., Limited 泰州市明源房地產開發有限公司	PRC, domestic enterprise 10 March 2010	–	–	100%	100%	RMB60,000,000	PRC	Property development and investment
Yangzhou Guangyuan Property Development Co., Limited 揚州廣源房地產開發有限公司	PRC, Sino-foreign joint venture enterprise 20 June 2003	–	–	100%	100%	US$22,560,000	PRC	Property development and investment
Yangzhou Hengyuan Property Development Co., Limited 揚州市恒源房地產開發有限公司	PRC, domestic enterprise 1 August 2007	–	–	100%	100%	RMB40,000,000	PRC	Property development and investment

41. PARTICULARS OF SUBSIDIARIES (CONTINUED)

(a) Particulars of the Company's subsidiaries at 31 December 2017 and 2016 are as follows: (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Group				Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
		Directly		Indirectly				
		2017	2016	2017	2016			
Yangzhou Mingyuan Property Development Co., Limited 揚州明源房地產開發有限公司	PRC, domestic enterprise 16 January 2008	–	–	100%	100%	RMB10,000,000	PRC	Property development and investment
Hengli Property Nantong Limited 恒力房地產南通有限公司	PRC, domestic enterprise 5 September 2012	–	–	100%	100% *(Note ii)*	RMB607,750,000	PRC	Property development and investment
Nantong Lishun Property Limited 南通力順置業有限公司	PRC, domestic enterprise 14 December 2012	–	–	100%	100% *(Note ii)*	RMB20,000,000	PRC	Property development and investment
Yangzhou Xiangjiang New City Centre Property Limited 揚州香江新城市中心置業有限公司	PRC, domestic enterprise 24 November 2015	–	–	100%	100% *(Note ii)*	RMB400,000,000	PRC	Property development and investment
Nanjing jiayuan Commercial Management Limited 南京佳源商業管理有限公司	PRC, wholly foreign owned enterprise 20 June 2016	–	–	100%	100% *(Note iii)*	RMB100,000	PRC	Property development and investment
Hong Kong Youyou Kids Playground Limited 香港優優兒童娛樂有限公司	Hong Kong 15 August 2016	–	–	100%	100% *(Note iii)*	HK$10,000	Hong Kong	Investment holding
Jiayuan (Shenzhen) Investment Consultancy Limited 佳源(深圳)投資諮詢有限公司	PRC, wholly foreign owned enterprise 1 September 2016	–	–	100%	100% *(Note iii)*	RMB100,000	PRC	Property development and investment
Changzhou Chongyuan Commercial Management Limited 常州崇源商業管理有限公司	PRC, domestic enterprise 12 September 2016	–	–	100%	100% *(Note iii)*	RMB100,000	PRC	Property development and investment
Yangzhou Jiayuan Commercial Management Limited 揚州佳源商業管理有限公司	PRC, domestic enterprise 23 September 2016	–	–	100%	100% *(Note iii)*	RMB100,000	PRC	Property development and investment

41. PARTICULARS OF SUBSIDIARIES (CONTINUED)

(a) Particulars of the Company's subsidiaries at 31 December 2017 and 2016 are as follows: (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Group				Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
		Directly		Indirectly				
		2017	2016	2017	2016			
Taizhou Mingyuan Commercial Management Limited 泰州明源商業管理有限公司	PRC, domestic enterprise 29 September 2016	–	–	100%	100% *(Note iii)*	RMB100,000	PRC	Property development and investment
Yangzhou jiayuan Commercial Management Limited 揚州金源商業管理有限公司	PRC, wholly foreign owned enterprise 16 November 2016	–	–	100%	100% *(Note iii)*	US$3,000,000	PRC	Property development and investment
Jiangsu Derun Hongxiang Property Limited 江蘇德潤鴻翔置業有限公司	PRC, domestic enterprise 9 December 2009	–	–	100%	80% *(Note ii)*	RMB20,000,000	PRC	Property development and investment
Taixing Jiayuan Commercial Management Limited 泰興市佳源商業管理有限公司	PRC, domestic enterprise 20 September 2016	–	–	100%	100% *(Note iii)*	RMB100,000	PRC	Property development and investment
Taixing Hengyuan Commercial Management Limited 泰興市恒源商業管理有限公司	PRC, domestic enterprise 19 September 2016	–	–	100%	100% *(Note iii)*	RMB100,000	PRC	Property development and investment
Yangzhou Guangyuan Property Management Limited 揚州港源置業管理有限公司	PRC, domestic enterprise 22 September 2016	–	–	70%	70% *(Note iii)*	RMB10,000,000	PRC	Property development
Advance Success Holdings Limited	BVI 25 July 2017	–	–	100% *(Note iv)*	–	US$1	Hong Kong	Investment holding
Evermore Victory Limited	BVI 25 July 2017	–	–	100% *(Note iv)*	–	US$1	Hong Kong	Investment holding
Haiyi International Land (Taicang) Co., Limited 海藝國際置地(太倉)有限公司	PRC, domestic enterprise 3 June 2002	–	–	100% *(Note v)*	–	RMB150,000,000	PRC	Property development
Yangzhou Yurun Property Development Co., Limited 揚州雨潤房地產開發有限公司	PRC, domestic enterprise 23 September 2013	–	–	100% *(Note v)*	–	RMB100,000,000	PRC	Property development

41. PARTICULARS OF SUBSIDIARIES (CONTINUED)

(a) Particulars of the Company's subsidiaries at 31 December 2017 and 2016 are as follows: (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Group				Issued and fully paid share capital/ registered capital	Place of operations	Principal activities
		Directly		Indirectly				
		2017	2016	2017	2016			
Yangzhou Jialian Property Development Co., Limited 揚州嘉聯置業發展有限公司	PRC, domestic enterprise 11 August 2006	–	–	70% *(Note v)*	–	RMB75,087,960	PRC	Property development
Yangzhou Guoyuan Property Development Co., Limited 揚州國源房地產開發有限公司	PRC, domestic enterprise 13 March 2017	–	–	100% *(Note iv)*	–	RMB100,000,000	PRC	Property development
Yangzhou Baoyuan Commercial Management Co., Limited 揚州博源商務管理有限公司	PRC, wholly foreign owned enterprise 23 June 2017	–	–	100% *(Note iv)*	–	RMB725,500,000	PRC	Investment holding
Shenzhen Songling Industrial Co., Ltd. 深圳市松齡實業有限公司	PRC, domestic enterprise 9 October 1991	–	–	100% *(Note v)*	–	RMB100,000,000	PRC	Property development
Shenzhen Guangyuan Investment Consulting Co.,Ltd. 深圳港源投資諮詢有限公司	PRC, wholly foreign owned enterprise 14 February 2017	–	–	100% *(Note iv)*	–	RMB100,000	PRC	Investment holding
Xiangyuan Property Development Limited 祥源地產開發有限公司	Macau 21 August 2017	–	–	100% *(Note iv)*	–	MOP25,000	Macau	Property development and investment
MJY Property Limited 澳門佳源置業有限公司	Macau 21 May 2015	–	–	100% *(Note v)*	–	MOP25,000	Macau	Property development and investment

Notes:

i. The English name for all of the above subsidiaries established in the PRC is translated for identification purpose only.
ii. These subsidiaries were acquired in 2016.
iii. These subsidiaries were established in 2016.
iv. These subsidiaries were established in 2017.
v. These subsidiaries were acquired in 2017.

None of the subsidiaries had issued any debt securities at the end of the year.

41. PARTICULARS OF SUBSIDIARIES (CONTINUED)

(b) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Suqian Jia yuan	PRC	**10**	10	**4,694**	(1,746)	**22,826**	18,132
Jiangsu De Run	PRC	**–**	20	**(540)**	(203)	**–**	89,810
Individually immaterial subsidiaries with non-controlling interests				**2,081**	–	**2,081**	–
Total				**6,235**	(1,949)	**24,907**	107,942

Summarised financial information in respect of the Company's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts before intragroup eliminations.

Suqian Jia Yuan

	2017	2016
	RMB'000	RMB'000
Current assets	**1,175,690**	1,482,604
Non-current assets	**46,318**	41,761
Current liabilities	**(842,361)**	(1,208,375)
Non-current liabilities	**(151,386)**	(134,667)
Total equity	**228,261**	181,323
Equity attributable to owners of the Company	**205,435**	163,191
Non-controlling interests	**22,826**	18,132

41. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Suqian Jia Yuan (Continued)

	2017 RMB'000	2016 RMB'000
Revenue	**650,179**	195,413
Other income	**198**	165
Expenses	**(603,439)**	(213,037)
Profit (loss) and total comprehensive income (expense) for the year	**46,938**	(17,459)
Profit (loss) attributable to owners of the Company	**42,244**	(15,713)
Profit (loss) attributable to the non-controlling interests	**4,694**	(1,746)
Net cash inflow from operating activities	**30,832**	94,951
Net cash inflow (outflow) from investing activities	**6,735**	(9,376)
Net cash (outflow) inflow from financing activities	**(17,009)**	140,214
Net cash inflow	**20,558**	225,789

Jiangsu De Run

	2016 RMB'000
Current assets	481,272
Non-current assets	176
Current liabilities	(475,083)
Non-current liabilities	–
Total equity	6,365
Equity attributable to owners of the Company	(83,445)
Non-controlling interests	89,810

41. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Jiangsu De Run (Continued)

	1.1.2017 to 30.4.2017 RMB'000	15.10.2016 to 31.12.2016 RMB'000
Revenue	–	–
Other income	29	136
Expenses	(2,729)	(1,152)
Loss and total comprehensive expense for the period	(2,700)	(1,016)
Loss attributable to owners of the Company	(2,160)	(813)
Loss attributable to the non-controlling interests	(540)	(203)
Net cash outflow from operating activities	(25,306)	(164,259)
Net cash outflow from investing activities	(25)	(377)
Net cash inflow from financing activities	72,329	185,057
Net cash inflow	46,998	20,421

Note: Jiangsu DeRun has become a wholly owned subsidiary in 2017.

42. EVENTS AFTER THE REPORTING PERIOD

On 11 January 2018, the Company issued US$250,000,000 aggregate principal amount of 8.125% senior secured notes due in January 2019 (the "January 2019 First Senior Notes") which are listed on the Stock Exchange. The January 2019 First Senior Notes, bearing interest at a fixed rate of 8.125% per annum with interest payable semi-annually in arrears, will mature in January 2019.

The Company may redeem the January 2019 First Senior Notes upon giving not less than 15 days' nor more than 60 days' notice, in whole but not in part, at redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the redemption date. The Company may at any time redeem the January 2019 First Senior Notes, in whole or in part, at any time, at a redemption price equal to 101% of the principal amount of the January 2019 First Senior Notes, plus accrued and unpaid interest, if any, to the redemption date. The Company must make an offer to repurchase all January 2019 First Senior Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of a change of control triggering event as defined in the offering circular.

On 15 January 2018, the Company issued US$50,000,000 aggregate principal amount of 8.00% Senior Notes due 2019 (the "January 2019 Second Senior Notes"). The January 2019 Second Senior Notes, unless previously redeemed pursuant to the terms and conditions of the January 2019 Second Senior Notes, will mature on 14 January 2019.

At any time, the Company may, with the prior written consent from all holders of the January 2019 Second Senior Notes, redeem all of the January 2019 Second Senior Notes at a redemption price equal to the sum of (i) the principal amount outstanding on the January 2019 Second Senior Notes, (ii) all accrued and unpaid interest of the January 2019 Second Senior Notes, (iii) all unpaid default interest (if any) accrued on the January 2019 Second Senior Notes and (iv) 2.7% of the outstanding principal amount of the January 2019 Second Senior Notes.

On 8 March 2018, a subsidiary of the Group entered into a cooperation agreement with a third party (the "JV partner") to establish a joint venture (the "JV") for the purpose of investing into a redevelopment project in respect of a parcel of land located at Nanming District, Guiyang City, Guizhou Province, the PRC. The Group and the other JV partner shall hold 61% and 39% equity interests in the JV respectively. The establishment of the JV was completed on 8 March 2018 with a consideration of RMB6,100,000 satisfied by cash. Please refer to the Company's announcement dated 8 March 2018 for further details.

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**382,539**	52,846
Amounts due from subsidiaries	**5,248,124**	1,408,053
	5,630,663	1,460,899
CURRENT ASSETS		
Other receivables and prepayments	**790,032**	496
Held-to-maturity investment	**–**	129,796
Bank balances and cash	**1,785,530**	110,101
	2,575,562	240,393
CURRENT LIABILITIES		
Accrued expenses and other payables	**58,421**	23,193
Amounts due to subsidiaries	**261**	–
Bank and other borrowings	**363,556**	–
Senior notes	**3,681,736**	–
	4,103,974	23,193
NET CURRENT (LIABILITIES) ASSETS	**(1,528,412)**	217,200
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,102,251**	1,678,099
CAPITAL AND RESERVES		
Share capital	**20,564**	15,558
Reserves	**3,432,471**	966,891
TOTAL EQUITY	**3,453,035**	982,449
NON-CURRENT LIABILITY		
Senior notes	**649,216**	695,650
	4,102,251	1,678,099

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movements of reserves:

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	–	(16,384)	(16,384)
Issue of shares through initial public offering upon listing	925,991	–	925,991
Capitalisation	(11,247)	–	(11,247)
Exercise of over-allotment option	138,899	–	138,899
Share issuance costs	(33,249)	–	(33,249)
Loss and total comprehensive expense for the year	–	(37,119)	(37,119)
At 31 December 2016	1,020,394	(53,503)	966,891
Placing and subscription of shares	2,195,708	–	2,195,708
Profit and total comprehensive income for the year	–	269,872	269,872
At 31 December 2017	**3,216,102**	**216,369**	**3,432,471**

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Revenue	2,544,619	2,318,266	1,872,615	3,702,081	**6,948,775**
Profit before taxation	508,283	376,860	509,360	1,469,854	**2,258,508**
Income tax expense	(196,602)	(184,132)	(198,119)	(660,650)	**(968,196)**
Profit for the year	311,681	192,728	311,241	809,204	**1,290,312**
Attributable to:					
Owners of the Company	296,575	192,493	298,570	811,153	**1,284,077**
Non-controlling interests	15,106	235	12,671	(1,949)	**6,235**
	311,681	192,728	311,241	809,204	**1,290,312**

ASSETS AND LIABILITIES

	As at 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Total assets	11,516,637	12,663,153	13,943,758	17,401,660	**32,795,531**
Total liabilities	(9,980,831)	(10,860,823)	(12,563,675)	(14,086,408)	**(25,995,045)**
Net assets	1,535,806	1,802,330	1,380,083	3,315,252	**6,800,486**
Equity attributable to owners of the Company	1,397,535	1,588,490	1,360,205	3,207,310	**6,775,579**
Non-controlling interests	138,271	213,840	19,878	107,942	**24,907**
	1,535,806	1,802,330	1,380,083	3,315,252	**6,800,486**

Note: The results for the years ended 31 December 2013 and 2014 have been prepared on a combined basis to indicate the results of the Group as if the Group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The figures for the years ended 31 December 2013 and 2014 have been extracted from the Company's Prospectus dated 26 February 2016.