CHINA JINMAO HOLDINGS GROUP LIMITED

(Incorporated in Hong Kong with limited liability) Stock Code: 00817

ANNUAL REPORT 2017

JINMAO
中国金茂

A SINOCHEM Company

Future

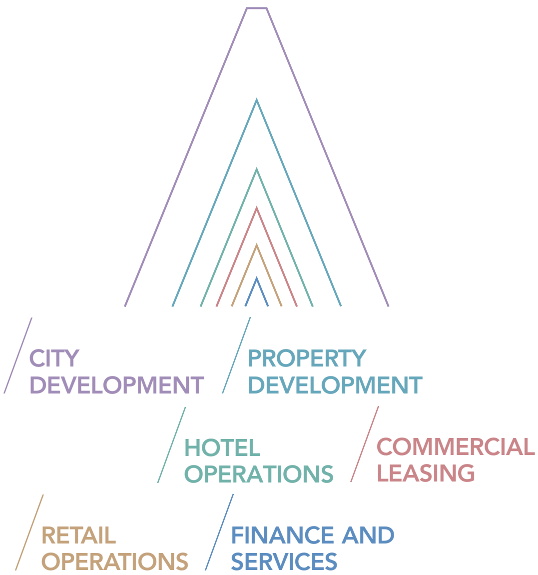
Contents

Company Overview

China Jinmao Holdings Group Limited ("China Jinmao" or the "Company") is a platform enterprise under the real estate and hotel segments of Sinochem Group Co., Ltd., one of the world's top 500 enterprises. On 17 August 2007, China Jinmao was listed on the Main Board of the Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Stock Exchange") (Stock Code: HK.00817). It is now one of the component stocks of the Hong Kong Hang Seng Composite Index. Sinochem Group Co., Ltd. is one of the state-owned enterprise that is approved by the State-owned Assets Supervision and Administration Commission of the State Council to engage in property development and hotel operations as principal businesses.

In adherence to the vision of "Unleashing Future Vitality of the City", China Jinmao holds on to the direction of high-end positioning and premium quality and endeavours to become a leading city operator in China by capitalising on the quality leadership-oriented "two-wheel and two-wing driven" development strategy with focus on the model of "two-driven and two-upgrade" city operations. Based on its foresight on city potentials, China Jinmao integrates the world's leading premium resources and introduces the concept of mutually beneficial city planning to achieve overall enhancement in regional functions and city vitality. Currently, China Jinmao has succeeded in entering the markets in over 20 core cities of the five major regions namely North China, East China, South China, Central China and Southwest China.

Capitalising on the synergies and integration strengths between the segments, China Jinmao has created a series of high-end products featuring "Jinmao" brand. The "green gold label" standard of its "green technology and Jinmao quality" has become a unique quality gene and inherent brand feature of "Jinmao" series products and redefined high-end quality in the industry.



ADHERING TO THE STRATEGIC POSITIONING OF "CITY OPERATOR"

The Company will fully utilise its experience in city operations, hold on to planning-driven as traction and capital-driven as cornerstone to drive city upgrade and industry upgrade, and work with governments to shape a new city core.

Planning-driven

Actively capitalise on the Company's professional expertise in planning to achieve function diversification, high-end oriented industry and city internationalisation based on integrated, systematic, forward-looking and scientific planning.

Capital-driven

Leverage on the Company's funding and credit advantages and capitalise on the role of JM Capital Limited ("JM Capital") in expanding funding channels and facilitating industry implementation as part of its capital-driven regional development efforts to achieve production led by investment.

Industry upgrade

Focus on the three major industries namely big culture, big healthcare and big technology while capitalising on its leading force of Beijing Jinmao Green Building Technology Co., Ltd. ("Jinmao Green Building") in science and technology industry, actively study the logistics industry, and drive industry upgrade of cities via industry cooperation and incubation.

City upgrade

Leverage on the Company's accumulated product strengths and brand influence in areas of quality residence, high-end hotel, premium retail and 5A office building to drive consumption upgrade and functional upgrade of cities.

PUSHING THE "TWO-WHEEL AND TWO-WING DRIVEN" STRATEGY UPGRADE

Upholding leading quality as the core requirement, the Company continues to enhance the operating efficiency and business scale of the businesses of development and holding; specialises in asset activation and builds a private equity platform to promote finance innovation; focuses on the green building business and the development of integrated service system to accelerate service innovation; and builds a solid business foundation for implementing city operations.

Company Overview

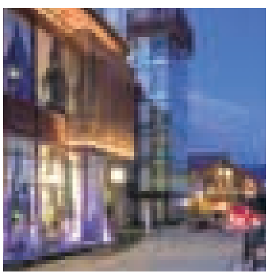
CITY AND PROPERTY DEVELOPMENT
Strong Performance

Property development projects and primary land development projects with a total gross floor area of approximately 26.31 million square metres and approximately 18.44 million square metres respectively.

During the year, sales results of the projects were good and land reserves were expanded with the successful acquisitions in Beijing, Shanghai, Shenzhen, Nanjing, Qingdao, Suzhou, Hangzhou, Ningbo, Hefei, Wuhan, Wuxi, Wenzhou, Fuzhou, Xiamen, Chongqing, Nanchang, Chengdu and Jiaxing.

CONTRACTED SALES AMOUNT
(RMB million)

COMMERCIAL LEASING AND RETAIL OPERATIONS
Stable Income



Nine high-quality investment properties with a gross floor area of approximately 780,000 square metres. High rental level and high occupancy rate of investment properties, outperforming its peers

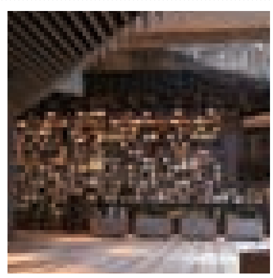
RENTAL REVENUE
(RMB million)

HOTEL OPERATIONS
Industry Leader

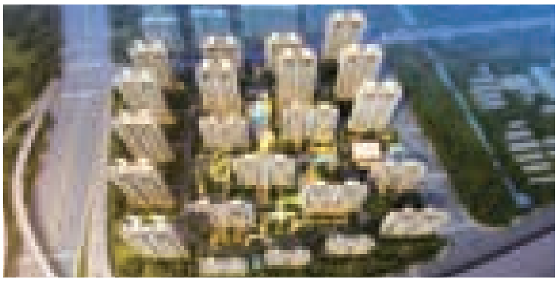
Ten luxury hotels offering 3,975 guest rooms

Remarkable performance of hotel operations, outperforming its peers

HOTEL REVENUE
(RMB million)



Major
Events



FEBRUARY 2017

- The Company acquired a land parcel in Nanjing Southern Hexi Yuzui Financial Service Cluster.
- The Company acquired two land parcels in Huguan Development Zone and Tech City in Suzhou High-tech Zone.
- The Company issued US$500 million guaranteed senior notes.

MARCH 2017

- The Company entered into the Framework Agreement on Feature Town Development in Wenzhou Oujiangkou Industrial Cluster with Wenzhou Oujiangkou New District Management Committee.
- The Company acquired the land parcel no.1113-604 in Louzizhuang Village, Jinzhan Township, Chaoyang District, Beijing.
- The Company acquired two land parcels in Yijing, Gulou District, Fuzhou.

APRIL 2017

- The Company acquired the land parcel no. 2016-045 in Wuhou New City, Chengdu.
- The Company issued the first batch of the first tranche of RMB2,500 million domestic unsecured medium-term notes.

JUNE 2017

- The Company and Wuhan New Port Group entered into a strategic cooperation agreement.
- The Company acquired the land parcel no. HK314-05 in North Bund, Hongkou District, Shanghai.
- The Company issued US$300 million senior guaranteed perpetual capital securities.
- The Company acquired a land parcel in Longxing land block division H in Liangjiang New Area, Chongqing.

AUGUST 2017

- The Company acquired the land parcels nos. C-03a, C-03e, C-11f, C-11h and C-05a in Bandao start area, Wenzhou.
- The Company held China Jinmao's 10th anniversary of listing cum brand revamp press conference and officially adopted the new brand logo.
- The Company issued US$200 million senior guaranteed perpetual capital securities.

Major Events

SEPTEMBER 2017

- The Company successfully acquired the land parcel unit no. FG04-R21-02 in Shangtang, Gongshu District, Hangzhou and the land parcel unit no. R21-16 in Pengbu, Jianggan District, Hangzhou.
- The Company acquired the land parcel no. 2017XP08 in Xiang'an District, Xiamen.

NOVEMBER 2017

- The Company issued US$300 million subordinated guaranteed perpetual capital securities.
- The Company acquired the land parcels unit nos. 11-A-15, 11-A-24 and 11-A-30 in Yaoxibei, Wenzhou.
- The Company acquired the land parcels nos. I-1, I-2 and I-4 in Huxin Village, Cicheng Town, Jiangbei District, Ningbo.

DECEMBER 2017

- The Company acquired land block no. 1 of the third batch of Qingdao China-Europe International City Project.
- The Company acquired the land parcel no. D07 in Jiulonghu, Nanchang.
- JM Capital and Proprium Capital Partners (PCP) entered into a strategic cooperation agreement.
- The Company successfully acquired the land parcel no. 2017-G82 in Tangshan boot area, Jiangning District, Nanjing.

2018

- The Company entered into the Framework Agreement on Integrated Project Cooperation Development of Zhangjiagang New and High-Tech Zone Industrial City with the government of Zhangjiagang New and High-Tech Zone.
- The Company acquired the land parcels nos. CA06-23-7 and 9 in the University City, Chang'an District, Xi'an.
- The Company acquired the land parcel no. 2018-01 in Tongshan District, Xuzhou.

Corporate Information

COMPANY NAME

China Jinmao Holdings Group Limited

PRINCIPAL OFFICE

Rooms 4702-4703
47th Floor, Office Tower, Convention Plaza
No. 1 Harbour Road
Wan Chai, Hong Kong

NON-EXECUTIVE DIRECTORS

Mr. NING Gaoning (Chairman)
Mr. YANG Lin
Mr. AN Hongjun

EXECUTIVE DIRECTORS

Mr. LI Congrui (Chief Executive Officer)
Mr. JIANG Nan (Chief Financial Officer)
Mr. SONG Liuyi (Senior Vice President)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Hon Chuen, Ambrose, G.B.S., J.P.
Mr. SU Xijia
Mr. GAO Shibin

CHIEF FINANCIAL OFFICER

Mr. JIANG Nan

QUALIFIED ACCOUNTANT

Mr. LIAO Chi Chiun

COMPANY SECRETARY

Mr. LIAO Chi Chiun

AUTHORISED REPRESENTATIVES

Mr. LI Congrui
Mr. JIANG Nan

LEGAL ADVISORS

Latham & Watkins
18/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

Tian Yuan Law Firm
10/F, CPIC PLAZA
28 Fengsheng Lane, Xicheng District
Beijing, People's Republic of China

AUDITOR

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

STOCK CODE

00817

SHARE REGISTRAR AND TRANSFER OFFICE

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

INVESTOR ENQUIRY

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WEBSITE

www.chinajinmao.cn

Financial Highlights

	2017 (RMB million)	2016 (RMB million)	Percentage change (%)
Revenue	**31,074.8**	27,304.1	14
Gross profit	**10,040.6**	10,204.8	-2
Profit attributable to owners of the parent - less: fair value gains on investment properties (net of deferred tax)	**3,905.0**	2,069.1	89
Add: fair value gains on investment properties (net of deferred tax)	**72.7**	466.4	-84
Profit attributable to owners of the parent	**3,977.7**	2,535.5	57
Total assets	**222,044.4**	166,904.1	33
Equity attributable to owners of the parent	**32,852.1**	31,626.3	4
Basic earnings per share (RMB cents)	**37.27**	23.76	57
Basic earnings per share – less fair value gains on investment properties (net of deferred tax) (RMB cents)	**36.59**	19.39	89
Dividend (HK cents)			
– final dividend per ordinary share	**18.0**	9.0	100
Net debt-to-adjusted capital ratio (%)	**69**	46	N/A

Note: Net debt-to-adjusted capital ratio = (interest-bearing bank and other borrowings – cash and cash equivalents – restricted bank balances – certain other financial assets included in current assets/(total equity + amount due to the immediate holding company).

Chairman's
Statement

Insisting on adopting the city operation as core business model, China Jinmao will continue to push ahead the "two-wheel and two-wing driven" strategic upgrade, accelerate the consolidation of the foundation for core business development and consistently drive the innovation of finance and services by upholding the development features of "appropriate scale, high efficiency, leading quality and outstanding services", being guided by the capital market while adhering to the principle of premium quality, with a view to quickly achieving the goal of becoming the first-tier team in terms of overall capabilities in the industry.

NING Gaoning
Chairman

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board") of China Jinmao, I am pleased to present the annual results of the Company and its subsidiaries (the "Group", "we" or "us") for the year ended 31 December 2017 (the "Period under Review", "Reporting Period", "2017" or the "Year").

In 2017, given increased efforts in the supply-side structural reform, China's economy continued to stabilise its pace of growth and entered the phase of fast growth and quality development, and prevention and control of systematic financial risks became the key areas of austerity measures. Setting the tone that "homes should be lived in, not speculated", various regional governments continued to refine and strengthen their real estate policies. Upholding the mission of "Build quality for better life", China Jinmao set another record high in operating results and profitability in adherence to the overall direction of "fast run, swift move and tailored policies according to the cities" and in strict execution of the operating requirements of "fast turnaround". In particular, the contracted amount and proceeds received amounted to RMB69.3 billion and RMB57.0 billion respectively, up by 43% and 32% year-on-year. During the Reporting Period, the profit attributable to owners of the parent amounted to RMB3,977.7 million, representing a year-on-year increase of 57%; and the profit attributable to owners of the parent less fair value gains on investment properties (net of deferred tax) amounted to RMB3,905.0 million, representing a year-on-year increase of 89%.

The growth in performance benefited from our commitment to our development strategy. China Jinmao continued to consolidate its strategic positioning of city operator and fully capitalised on its experience and strengths of the "two-driven" (being planning-driven and capital-driven) development strategy to build the big culture, big health and big technology resource-based industry cluster platform as part of its efforts of the city's functional upgrade and industry upgrade. City operations projects in Wenzhou's Oujiangkou and Nanjing's Tangshan SOHO Spa & Wellness Town have been successfully acquired. The Company's position as the city operator is increasingly recognised, as evidenced by the title of the "No. 1 City Operator in China" received at the China Industrial Park Conference.

In 2017, China Jinmao adhered to the existing "two-wheel and two-wing driven" development strategy and constantly strengthened the growth vitality of the "core businesses" of property development and property holding while accelerating the transformation and implementation of "innovation businesses" such as finance and service with a view to enhancing the overall strength of the Company.

As for property development, insisting on taking a proactive and sound investment approach, the Company continued to innovate the channels of resource requisition. Eventually, it set foot in five new cities namely Chengdu, Wenzhou, Xiamen, Jiaxing and Nanchang and acquired a total of 36 secondary development projects and increased land reserve of approximately 10 million square metres throughout the Year, representing an increase of 230% compared with that in last year. 17 projects were acquired at bottom or near-bottom price, accounting for 47% of the total number of projects. In 2017, the contracted sales results of the Company's property development segment (excluding primary land development) grew by 101% year-on-year, which far exceeded the growth of the benchmark enterprises in the industry. While experiencing rapid growth in size, the Company endeavoured to optimise the operational management and control standards and raise the operational efficiency. Its operational efficiency maintained an industry leading level.

As for property holding and operations, the overall performance of the Company's hotel segment maintained steady growth for the third consecutive year with growing brand recognition. As for retail operations, the Company strove to strengthen its operating capabilities. Upon opening of Qingdao Jinmao Harbour Shopping Mall, the Company saw a record high in both customer flow and sales amount within the region. In addition, while consolidating the strengths of the business of its office premises, the rentals from large clients of properties such as Beijing Chemsunny World Trade Centre and Sinochem Tower increased significantly after renewal. Followed by the delivery and commencement of operation of the office portion of Changsha Meixi Lake Jinmao Plaza, the quality of operation continued to increase.

Chairman's Statement

With respect to the "two-wing driven" business, the Company comprehensively pushed ahead the development of the smart energy and high-tech real estate eco-platform. Our green building business earned the title of National High-tech Enterprise and received the Energy Management Certification, and successfully debuted its regional energy station in Changsha. The Company obtained 22 utility new model patents, three software copyrights and one patent authorisation certificate. The Company endeavoured to drive the application and conversion of its technological achievements and march toward the new engine of innovation development in an accelerated manner. Meanwhile, the finance business of the Company successfully obtained the private equity fund manager license with funds under management and contract of up to RMB15.0 billion, thus facilitating project acquisition and the accelerated development of the Company's core businesses.

The growth in performance benefited from our continued efforts in innovation practice. In 2017, by closely following the austerity initiatives and the industry development requirements, China Jinmao accelerated its innovation efforts in developing the business model, products and services and system mechanisms in an effort to expand the room for the growth of the Company.

First, we continued to innovate our business model. Replicating its project experience in Changsha Meixi Lake International New City, the Company endeavoured to promote the upgrade of the city operations model and actively integrated the leading quality industry resources locally and abroad. The Company innovatively stepped up the expansion efforts of city operation projects in Wenzhou's Oujiangkou and Nanjing's Tangshan SOHO Spa & Wellness Town where tailored development models were adopted to introduce the industry's renowned cultural enterprises to Jinmao Richmond Town, achieving a multiple-win situation while exploring and developing the industry's new city landmark projects.

Second, we accelerated the upgrade of products and services. While implementing the quality requirements of "exquisite craftsmanship and quality, green health and smart technology", the Company stressed the people-oriented approach to set a benchmark for high-tech residence while optimising and innovating technology systems and driving the comprehensive upgrade of products. The average score for actual measurement of projects was in line with the industry benchmark level. The Company also strengthened the service mission that "customer's demand is our pursuit", innovatively launched the "Today I'm on duty" campaign, strictly investigated the execution of "188 standard actions" and promulgated the assessment criteria with a view to improving the customer relationship management system. The Company continued to promote customer satisfaction. In 2017, the residential customer satisfaction attained an "Excellent" standard in the industry.

Third, we stepped up our innovation efforts in system and mechanisms. Driven by value creation, the Company revamped the performance assessment mechanism by centering around the principle of "Co-innovation and Sharing". Through strengthening the link between resource allocation and accomplishment of actual results, the Company endeavoured to stimulate the operating vitality of each unit. At the same time, seizing "Zhongxin Scheme" as the basis of innovation, the Company maintained a relatively low level of financing cost among its peers for similar products. The Company successfully debuted the issuance of panda notes at a fairly low interest rate of 4.6%, which greatly expanded the financing channels and strengthened its financing capabilities. Meanwhile, the Company actively built a cultural atmosphere of innovation across all employees and pushed ahead the conversion of innovation achievements to business applications. The Company explored high potential projects through organising the first innovation and creativity contest. In particular, projects such as Jinmao Housing U+ Centre, Tailored Smart Home and Mobile Quality Inspection APP achieved a milestone success, thus becoming the driver of accelerated growth of the Company.

Chairman's Statement

At the same time, China Jinmao, as a state-owned enterprise and a listed company, attached great importance to and fulfilled social responsibilities on its own initiatives. While taking active efforts in green public welfare, the Company edited the first green textbook for primary and secondary schools in China and obtained 109 green certifications, accounting for more than 90% of the total development projects and ranking first nationwide. The Company was named one of the Top 10 Competitive Green Real Estate Operating Enterprises. Shanghai Daning Jinmao Palace Project was named among the CIHAF Top 10 Green Projects of the Year. The image of green enterprise was recognised by the industry. Meanwhile, the Company actively carried out publicity of public charitable development which is supported by the State and continued to invest in public charities. The Company successively set up a mobile library in each of Chongqing, Guizhou, Sichuan, Qinghai, Yunnan, Changsha, Qingdao and Guangzhou, supported the construction of 43 schools, made donations to 22 schools and supported the construction of seven healthcare facilities. By organising a range of community and public charitable activities such as "Campus Watcher", "Neighbours Festival" and "Neighbours Covenant", the Company received positive social response.

Looking into the future, the 19th National Congress will give a clear picture as to the direction of future development of China by starting with satisfying the multi-level housing demand of the people and accelerating the development of a long-term and effective mechanism for properties from the supply-side where market stability and risk control will be the key targets of austerity measures. The industry will remain under pressure in short term but some cities may experience policy easing under the tailored policies according to the cities. As the pace of urbanisation in China continues to accelerate, expansion and upgrade in all tiers of cities will be particularly evident. The new city layout will inject vitality to the industry development, and policies on new city development, urban renewal and featured town development will continue to provide new demand for market development. Accordingly, insisting on adopting the city operation as core business model, China Jinmao will continue to push ahead the "two-wheel and two-wing driven" strategic upgrade, accelerate the consolidation of the foundation for core business development and consistently drive the innovation of finance and services by upholding the development features of "appropriate scale, high efficiency, leading quality and outstanding services", being guided by the capital market while adhering to the principle of premium quality, with a view to quickly achieving the goal of becoming the first-tier team in terms of overall capabilities in the industry.

We are determined to innovate and accelerate growth. China Jinmao will relentlessly promote the spirit of venture and the spirit of innovation. All of our employees will continue to keep an upbeat entrepreneurial attitude and make concerted efforts to maximise value for all of the shareholders with even more remarkable results. On behalf of the Board, I would like to express my sincere gratitude to the shareholders, customers, business partners of the Company and various sectors of the community.

NING Gaoning
Chairman

Hong Kong
27 March 2018

Honours and **Awards**

MAJOR INTEGRATED AWARDS

- In March 2017, Guandian Real Estate New Media announced the "China Top 100 Real Estate Developers" at the "2017 Guandian Annual Forum". China Jinmao was honoured to rank among the "2017 Valuable Brands in Real Estate Industry in China" and the "2017 Outstanding China Real Estate Business Model".
- In May 2017, China Jinmao was named among the "2017 Top 10 China Mainland Real Estate Enterprises Listed in Hong Kong by Investment Value", "2017 Top 10 China Mainland Real Estate Enterprises Listed in Hong Kong by Wealth Creation Capability", "2017 Top 10 Excellent Commercial Development and Operation Enterprises of China Mainland Real Estate Enterprises Listed in Hong Kong" and the "2017 Top 10 China Mainland Real Estate Enterprises Listed in Hong Kong by Consolidated Strength".
- In June 2017, China Jinmao was ranked among the "14th China Blue Chip Real Estate Developers for 2017" at the "14th China Blue Chip Real Estate Developer Annual Conference" organised by Economic Observer.
- In June 2017, China Jinmao was honoured the title of "Golden Bee Enterprise" at the 12th PRC Corporate Social Responsibility International Forum cum "2016 Golden Bee Corporate Social Responsibility – China Billboard".
- In August, China Jinmao earned the title of "China Real Estate Enterprises with Awareness of Social Responsibility for the Year of 2017" at the 2017 Boao Real Estate Forum.
- In September 2017, China Jinmao was titled the "Model Enterprise" at the 25th Anniversary of the PRC Real Estate Hall of Honour.
- In November 2017, China Jinmao was honoured with "Social Responsibility Award" at the 2017 China Corporate Social Responsibility Summit organised by China Business Journal.
- In December 2017, China Jinmao earned the title of the "2017 Model Real Estate Enterprise of Brand Influence" at the 8th Summit of Real Estate and Finance Innovation of the 15th Financial Billboard organised by www.hexun.com.
- In December 2017, China Jinmao was rated among the "2017 Top 10 Competitive Green Development Enterprises" and the "2017 Top 10 Competitive Green Real Estate Operating Enterprises" at the "2017 Summit of China Green Building Industry Chain cum the 19th China International Real Estate & Architectural Technology Fair (CIHAF)" organised by China Real Estate Business.
- In December 2017, China Jinmao was shortlisted for the "2017 China Business Network · China Real Estate Equity Investment Value Chart" and named among the "Top 10 Most Valuable Real Estate Enterprises of Equity Investment (H Shares)" at the "2017 China Business Network Annual Real Estate Summit" cum the "China Real Estate Equity Investment Value Chart" organised by China Business Network.

MAJOR CITY AND PROPERTY DEVELOPMENT AWARDS

- In January 2017, Beijing Jinmao Palace was rated the "Model Luxury High-Tech Residential Project in China (Beijing) for 2017" at the election by www.fang.com.
- In January 2017, Beijing Jinmao Palace earned the "Best Quality Mansion Award" at the NetEase golden dwelling size election organised by NetEase.
- In May 2017, Beijing Jinmao Palace was rated the "Harvard China Trip Urban Design Research Base" by Harvard Gradual School of Design.
- In September 2017, Changsha Jinmao Palace received the "Merit Award for Full Renovation of Residence" by the Jingrui Science and Technology Award Committee of the Ministry of Science and Technology of the People's Republic of China.
- In September 2017, China Jinmao won the "Top 10 Successful Transformation Real Estate Developers of Urban Renewal Award" at the "China Urban Renewal Forum".
- In November 2017, China Jinmao won the "TOP No.1 PRC City Operator" at the 2017 China Industrial Park Conference.

Honours and **Awards**

MAJOR HOTEL AWARDS

China Jin Mao (Group) Company Limited

- In March 2017, the company was titled the "Best Hotel Owner in China" at the 12th China Hotel Starlight Awards which is the Chinese equivalent of the Oscars in the hotel industry
- In September 2017, the company was titled the "2017 Best Hotel Owner in China" at the 14th Golden Pillow Award of China Hotels, one of the most influential industry forums.

Hotel Awards

- In March 2017, Grand Hyatt Shanghai was honoured with the "Best Top Luxury Hotel in China" at the 12th China Hotel Starlight Awards.
- In August 2017, Hyatt Regency Chongming won the "2017 Most Popular Resort Hotel in China" at the "Top Advisor Awards" – 2017 China Hotel Brand Conference organised by the Hotel Top Advisor.
- In March 2017, Grand Hyatt Lijiang won the Best Resort in Asia at the 17th China Hotel Golden Horse Award.
- In July 2017, Meixi Lake Hotel, A Luxury Collection Hotel, Changsha won the "2017 Best City Resort Hotel" at the "Explore the Journey of Hotels – Hotel Awards".
- In December 2017, Meixi Lake Hotel, A Luxury Collection Hotel, Changsha won the "Best MICE Hotel of the Year" at the annual hotel election organised by Global Traveler.
- In September 2017, The Westin Beijing Chaoyang received the "Best Business Hotel of the Year" at the 10th Asia Hotel Forum.
- In September 2017, The Westin Beijing Chaoyang was honoured with the "Best MICE Hotel" at the 2017 Fashion List of Awards of China Hotels.
- In May 2017, Renaissance Beijing Wangfujing Hotel was titled the "Best Design Hotel" by Metropolitan.
- The Ritz-Carlton Sanya, Yalong Bay was named The Best Luxury Hotel 2017 by Trends.
- In August 2017, Hilton Sanya Yalong Bay Resort & Spa won the "Best Contribution Award of Exhibitions in Sanya" by Sanya Tourism Association.
- In November 2017, Hilton Sanya Yalong Bay Resort & Spa won the "2017 Top 10 Family Resorts of Global Hospitality" by China Tourist Hotels Association.
- In July 2017, JW Marriott Hotel Shenzhen won the "Best Conference Hotel" organised by Metropolitan.
- In November 2017, Westin Nanjing won the "Best Business Hotel" by China City Travel.

OFFICE AND OTHER PROJECT AWARDS

- In March 2017, Jinmao Green Building was shortlisted and elected as the "Standing Committee Member" of China District Energy Association of China Association of Building Energy Efficiency.
- In April 2017, Jinmao Green Building was shortlisted and elected as the "Standing Committee" of the Strategic Alliance of the Healthy Building Industry Technology Innovation.
- In 2017, Jinmao Green Building won the "Outstanding Green Real Estate Developer" by Sino-British Green Building Award Ceremony and Forum.
- In November 2017, Jinmao Green Innovation Centre was rated the "Ultralow Energy Consumption Passive Building" at the election of China Passive Building Alliance for ultralow energy consumption buildings.

Management Discussion and Analysis

General Overview

Beijing
- Beijing Chemsunny World Trade Centre
- Sinochem Tower
- Renaissance Beijing Wangfujing Hotel
- The Westin Beijing Chaoyang
- Beijing Guangqu Jinmao Palace
- Beijing Wangjing Jinmao Palace
- Beijing Ya'ao Jinmao Residence
- Beijing Yizhuang Jinmao Residence
- Beijing Yizhuang Jinmao Noble Manor
- Beijing Jinmao Palace
- Beijing Fengtai Jinmao Plaza
- Beijing Fengtai Lize Business District Land Parcel No. D-07/08
- Beijing Serenity Palace Project
- Beijing Chaoyang • Jinmao Centre Project

Changsha
- Changsha Meixi Lake International New City
- Changsha Yuelu Jinmao Meixi Lake
- Changsha Meixi Lake Jinmao Residence
- Changsha Meixi Lake International R&D Centre
- Changsha Meixi Lake Jinmao Plaza
- Changsha Meixi Lake Jinmao Harbour
- Changsha Meixi Lake Land Parcel F13 Project
- Changsha Jinmao Mall of Splendor
- Meixi Lake Hotel, A Luxury Collection Hotel, Changsha

Chongqing
- Chongqing Daping Jinmao Residence
- Chongqing Panlong Jinmao Residence
- Chongqing Jinmao International Ecological New City
- Chongqing Liangjiang New District Longxing Mediterranean Project
- Chongqing Liangjiang New District Longxing Land Parcel No. 17099
- Chongqing Liangjiang New District, Land Parcel in Lijia

Foshan
- Foshan Jinmao Green Island Lake Land Project
- Foshan Zumiao • Jinmao Residence
- Foshan Shunde Lecong Land Parcel

Guangzhou
- Guangzhou Nansha Jinmao Harbour
- Guangzhou Zhujiang Jinmao Palace
- Cinda & Jinmao – Tianhe Jinmao Plaza

Hangzhou
- Hangzhou Huanglong Jinmao Residence
- Shoukai Hangzhou Jinmao Palace
- Hangzhou Binjiang Jinmao Palace
- Hangzhou Gongshu Shangtang Land Parcel No. FG04-R21-02
- Hangzhou Dongcheng Jinmao Palace

Hefei
- Hefei Beiyanhu Jinmao Harbour
- Hefei Binhu Jinmao Residence Project

Lijiang
- Lijiang Snow Mountain Jinmao Noble Manor
- Lijiang Jinmao Whisper of Jade Dragon
- Lijiang J•LIFE
- Grand Hyatt Lijiang

Ningbo
- Ningbo Nantang Jinmao Palace
- Ningbo Jiangdong Jinmao Palace
- Ningbo Haishu Jinmao Residence
- Ningbo Yaojiang Jinmao Palace
- Ningbo Cicheng Jinmao Noble Manor
- Ningbo Jiayuan Plaza and Jiali Plaza Project
- Ningbo Royal Palace Project

Nanjing
- Nanjing Qinglong Mountain International Ecological New City
- Nanjing Dongcheng Jinmao Residence
- Nanjing Xuanwu Lake Jinmao Plaza
- Westin Nanjing
- Nanjing Hexi Jinmao Palace
- Nanjing Southern Hexi Yuzui Land Parcel No. G97
- Nanjing Greenland Jinmao • International Finance Centre
- Nanjing Jiangning Shangfang Land Parcel No. 34
- Nanjing Jiangning Shangfang Land Parcel No. 39
- Nanjing Tangshan Kickoff Area Land Parcel No. G82 (hotel)

Qingdao
- Qingdao China-Europe International City
- Qingdao Shinan Jinmao Harbour
- Qingdao Jinmao Harbour Shopping Mall

Sanya
- Hilton Sanya Yalong Bay Resort & Spa
- The Ritz-Carlton Sanya Yalong Bay

Shanghai
- Jin Mao Tower
- Grand Hyatt Shanghai
- Hyatt Regency Chongming
- Shanghai Port International Cruise Terminal
- Shanghai International Shipping Service Center
- Shanghai Dongtan Jinmao Noble Manor
- Shanghai Daning Jinmao Palace
- Shanghai Xijiao Jinmao Palace
- Shanghai New City Hongkou Jinmao Palace
- Shanghai Hongkou District Tilanqiao Land Parcel No. HK322-01
- Shanghai North Bund Land Parcel No. HK314-05

Shenzhen
- JW Marriott Hotel Shenzhen
- Shenzhen Longhua Jinmao Palace
- Shenzhen Longhua Yuhu Industrial Area Project

Suzhou
- Suzhou Gusu Jinmao Palace
- Suzhou Wuzhong Land Parcel No. WG73
- Suzhou Hushuguan Project
- Suzhou Science and Technology • Jinmao Palace

Tianjin
- Tianjin Haihe Jinmao Palace
- Tianjin Shangdong • Jinmao Palace

- City and Property Development
- Commercial Leasing and Retail Operations
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Wuhan
- Wuhan Donghu Jinmao Palace
- Wuhan Xinzhou Yangluo Street Wanshan Village Land Parcel No. P(2018)001

Wuxi
- Wuxi Lihu Jinmao Palace
- Wuxi Xinwu Meicun Land Parcel
- Wuxi Xibei Land Parcel No. XDG-2014-31

Zhuhai
- Zhuhai Every Garden

Zhengzhou
- Zhengzhou Beilonghu Jinmao Palace

Chengdu
- Chengdu Wuhou New City Project

Fuzhou
- Fuzhou Gulou Jinmao Palace
- Fuzhou Cangshan Land Parcel No. 2017-12

Jiaxing
- Jiaxing Jingkai Land Parcel No. 2017-15

Nanchang
- Land parcel in Jiulonghu, Honggutan New District, Nanchang
- Nanchang Qingyunpu Land Parcel

Xiamen
- Xiamen Xiang'an • Jinmao Residence

Wenzhou
- Wenzhou Oujiangkou International New City Project
- Wenzhou Longwan Yaoxibei Project

Xi'an
- Xi'an Chang'an University City Land Parcels Nos. CA06-23-7, 9

Xuzhou
- Xuzhou Tongshan Land Parcel No. 2018-01

Management
Discussion and Analysis

General Overview

In 2017, various government departments across China thoroughly implemented the national plans and generally took a steady progress approach. Adhering to the new development principle, it focused its efforts on the supply-side structural reform and pushed ahead structural optimisation, power conversion and quality enhancement. China's economy grew steadily and positively, unleashing economic vitality, momentum and potential and enhancing stability, coordination and sustainability. This contributed to the steady and healthy development in China.

With respect to the property market, according to the statistics published by the National Bureau of Statistics, in 2017, sales of commodity properties in China amounted to RMB13.4 trillion, representing an increase of 13.7% compared with that of last year; area sold was 1,690 million square metres, representing an increase of 7.7% compared with that of last year. In 2017, insisting that "homes should be lived in, not speculated" alongside purchase, credit and sale restrictions and tightening land auction, the real estate austerity measures were able to optimise the supply structure. The austerity measures were gradually taking effect. At the same time, the connection between short-term austerity measures and long-term mechanisms was closer and the residential leasing market grew quickly. A real estate system combining leasing and purchase was gradually taking shape.

In 2017, with the lenient policy environment and monetisation of shantytown renewal, the property market in third-tier and fourth-tier cities rebounded fully, driving up the area sold across China. On the other hand, the property market in key cities was stabilised under strict policy control. The growth of area sold constantly decreased year-on-year and the size of transactions shrunk significantly. The cooling was particularly evident in first-tier cities. From the perspective of the real estate market layout, the market share of leading property developers rapidly expanded with growing industry clustering and intensifying industry concentration, which ushered in M&A and integration opportunities despite fiercer competition in the industry. Meanwhile, the real estate industry entered a new growth cycle where restructuring of its business and service models is required. Branded developers maintained sizable growth by leveraging on the complex layout of its whole industry chain. The general healthy growth momentum of the hotel industry was increasingly strengthened. In view of the slowing down of hotel investments and adjustment in customer, the business prospect of five-star hotels was gradually improving, however, regional and structural phenomena still existed and competition in regions such as Sanya and Lijiang intensified. Faced with insufficient supply of office premises in first-tier and second-tier cities, coupled with ongoing high demand for office leasing from the finance and IT sectors, the office premises market will continue its good momentum where office premises in the core regions have greater potential with significant investment value.

General Overview

In 2017, while overcoming the unfavourable conditions of tightening policies, the operating results of the Company grew substantially compared with that of last year. Net profit attributable to owners of the parent set another historical high.

With respect to city and property development, sales performance of projects launched throughout the Year was satisfactory with total contracted sales amount of approximately RMB69.3 billion. In addition, as at 28 February 2018, the Group's contracted sales of properties and land yet to be delivered and settled amounted to approximately RMB84.1 billion (as at 28 February 2017, contracted sales yet to be delivered and settled amounted to approximately RMB54.1 billion), among which, properties and land that meet the conditions of completion and delivery of approximately RMB45.4 billion will be delivered and settled in 2018. In particular, Jinmao Hangzhou Binjiang Jinmao Palace commenced sales on 8 December 2016 and 18 March 2017 respectively where the units were sold out on both launch dates. It represented a landmark of hot commodities in Hangzhou and garnered widespread recognition. In the evening of 27 June 2017, a re-launch was held, and all units were sold out on the day of launch. The units were launched three times and sold out each time. In October 2017, Jinmao Ningbo Yaojiang Jinmao Palace, which commenced sales for the first time, achieved hot sales for star project. The first batch of units commenced sales in 9 months upon project acquisition, translating into a sell through rate of 80% upon sales commencement and subscription amount of approximately RMB1,000 million and driving the regional high-end property purchase in Jiangbei, Ningbo. In November 2017, 380 units of Jinmao Changsha Meixi Lake Jinmao Harbour Project were sold on the day of sales launch with a transaction rate of 86% and sales amount of approximately RMB600 million. In December 2017, Jinmao Tianjin Haihe Jinmao Palace Project commenced sales smoothly for the first batch of units with a remarkable sales amount of RMB1,000 million, marking Jinmao brand's first and solid move to enter the Tianjin market. In January 2017, Beijing Jinmao Palace was named the "Model Luxury High-Tech Residential Project in China (Beijing) for 2017" (2017中國（北京）科技華宅樣板項目) at the election held by www.fang.com. In September 2017, Changsha Meixi Lake International Plaza South Tower Project successfully passed the final assessment by the US GBCI and obtained the LEED-CS gold certification. Changsha Jinmao Palace received the "Merit Award for Full Renovation of Residence" (住宅全裝修優秀獎) by the Jingrui Science and Technology Award Committee of the Ministry of Science and Technology of the People's Republic of China.

As for hotel operations, China Jin Mao (Group) Company Limited was titled the "Best Hotel Owner in China" (中國酒店業最佳業主) at the 12th China Hotel Starlight Awards which is the Chinese equivalent of the Oscars in the hotel industry. The hotels of the Company actively sought market opportunities and took flexible marketing strategies to optimise customer mix and enhance the quality of service, which enabled it to maintain a leading position among its competitors within the region. In 2017, its hotels' average occupancy rate and average revenue per available room further increased from 2016. Meixi Lake Hotel, A Luxury Collection Hotel, Changsha which was opened in May 2017, consistently maintained the high standards of China Jinmao with steady growth in occupancy rate and revenue per available room for the Year. In July 2017, Jinmao Dreamlohas Resort & Hotel, Mogan Mountain, being the first high-end luxury hotel of China Jinmao's hotel segment to provide brand management export service, commenced trial operation. Other established hotels continued to maintain a market leading position.

As for commercial leasing, the rental level and occupancy rate of Grade A office premises in high-end business districts, namely Beijing Financial Street, Beijing CBD, Shanghai Pudong Lujiazui and Nanjing Gulou District, remained high. Rental level of the Company's two office premises in Beijing and the office premises in Jin Mao Tower, Shanghai continued to rise and maintain steady and excellent results contribution.

As for retail operations, in June 2017, Qingdao Jinmao Harbour Shopping Mall, which is situated inside Qingdao Shinan Jinmao Harbour Project, had its grand opening and ranked among the top community retailers in the region in terms of first-day revenue and store opening rate.

As for finance and services, in 2017, the Company actively pushed ahead finance innovation and service innovation to expand business through finance innovation and to shape development features through service innovation with focus on the "two-wheel and two-wing driven" core businesses as part of its efforts to drive the "two-wheel and two-wing driven" strategic upgrade. In 2017, Jinmao Green Building actively carried out innovation in product R&D and the integrated application of advanced technologies. During the Year, it obtained 27 patent authorisations, and successfully earned the title of "National High-Tech Enterprise" and the building mechanical and electrical installation class 2 qualification. It smoothly passed the energy, quality, environmental, occupational health system certifications, and implemented the first regional energy project. In 2017, JM Capital completed the registration for private equity fund manager and obtained the qualification as the private equity fund manager, investing in various projects. In addition, it actively explored a number of areas including the activation of remnant commercial properties, urban renewal fund and industry investments, laying a solid foundation for the upcoming rapid development.

In 2017, the Company had fruitful results in the land market and capital market, and performed remarkably. With respect to land acquisition, the Group acquired a number of quality land parcels in Beijing, Shanghai, Shenzhen, Nanjing, Qingdao, Suzhou, Hangzhou, Ningbo, Hefei, Wuhan, Wuxi, Wenzhou, Fuzhou, Xiamen and Chongqing to greatly replenish its land bank. With respect to capital funding, the Group took proactive innovative efforts to expand a variety of fundraising channels. The Company successfully completed the issue of US$500 million and US$300 million offshore subordinated guaranteed perpetual capital securities in January and November 2017 respectively; successfully issued US$500 million guaranteed senior notes in February 2017; successfully completed the issue of US$300 million and US$200 million offshore senior perpetual capital securities in July and September 2017 respectively; and successfully completed the issue of two tranches of unsecured medium-term notes, which were registered with the National Association of Financial Market Institutional Investors, in a total amount of RMB5,000 million in April and July 2017, respectively. In addition, the Group actively seized the market window to redeem US$400 million perpetual subordinated convertible securities, thus optimising the equity structure of the Company. In terms of projects, it actively introduced partnering funds, which provided adequate funding protection for subsequent project development.

Looking forward, the economy of China will maintain steady growth with ongoing progress of urbanisation and solid base for industry development. The potential of city operations projects is enormous. As the industry concentration continues to increase, the phenomenon of the stronger the winner will be increasingly apparent. To capture the market opportunities arising from the process of economic growth and cope with the intensifying competition as a result of increasing industry concentration, the Group will, in the long run, stick to the strategic positioning of the "city operator" and focus on the "two-wheel and two-wing driven" core businesses, uphold leading quality as the core requirement, actively explore industry incubation and enhance the capabilities to introduce new sectors so as to contribute to the city upgrade and industry upgrade, and quickly achieve the goal of becoming the first-tier team in terms of overall capabilities in the industry.

GENERAL INFORMATION BY SEGMENTS

Business segments	Gross floor area (square metres)	Number of guest rooms
Commercial leasing and retail operations	**781,295**	N/A
Hotel operations	**637,213**	3,975
City and property development	**44,745,526**	N/A
Total	**46,164,034**	3,975

Diagram 1: Segment overview

(Gross floor area: square metres)

- Commercial leasing and retail operations 781,295
- Hotel operations 637,213
- City and property development 44,745,526

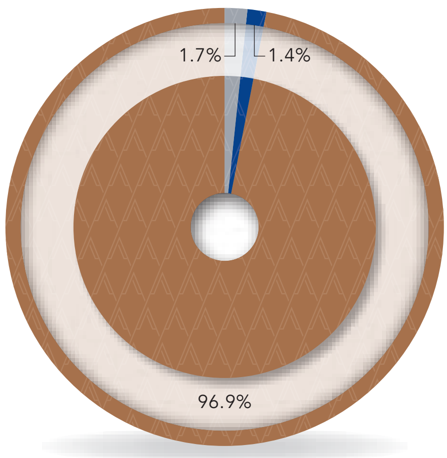
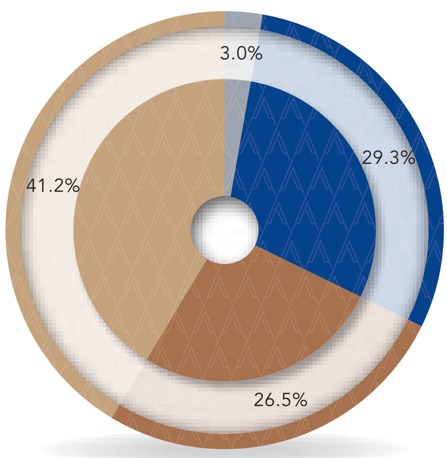


Diagram 2: City and property development

(Gross floor area: square metres)

- Completed but unsold portion of the project 1,330,289
- Project under development 13,100,787
- Reserve project 11,874,706
- Primary land development 18,439,744



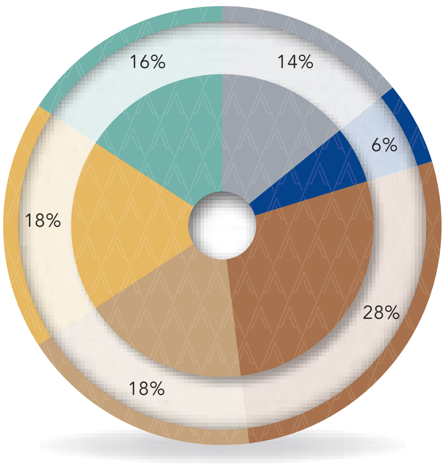


Diagram 3: Area held by commercial leasing and retail operations

(Gross floor area: square metres)

- Beijing Chemsunny World Trade Centre 110,760
- Sinochem Tower 49,066
- Jin Mao Tower 216,462
- Nanjing Xuanwu Lake Jinmao Plaza Project Phase I 139,806
- Changsha Jinmao Mall of Splendor 141,723
- Others 123,478

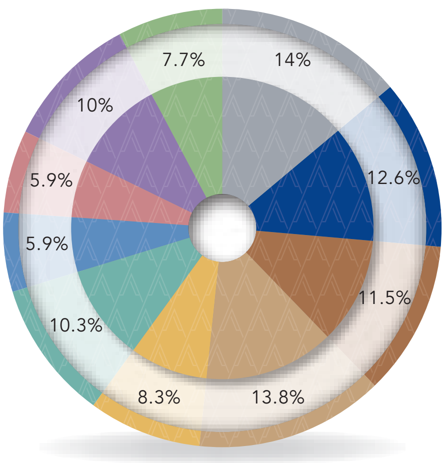


Diagram 4: Number of hotel rooms

- Grand Hyatt Shanghai 555
- Hilton Sanya Yalong Bay Resort & Spa 501
- The Ritz-Carlton Sanya Yalong Bay 455
- The Westin Beijing Chaoyang 550
- Renaissance Beijing Wangfujing Hotel 329
- JW Marriott Hotel Shenzhen 411
- Westin Nanjing 234
- Hyatt Regency Chongming 235
- Grand Hyatt Lijiang 401
- Meixi Lake Hotel, A Luxury Collection Hotel, Changsha 304

1. COMMERCIAL LEASING AND RETAIL OPERATIONS PROJECTS

Name of project	Location	Project site area (square metres)	Project gross floor area (square metres)	Type of project	Equity attributable to the Group	Date of completion	Area held for commercial leasing and retail properties (square metres)
Beijing Chemsunny World Trade Centre	Xicheng District, Beijing, China	21,659	194,530	Office	100%	2006	110,760
Sinochem Tower	Xicheng District, Beijing, China	5,833	49,066	Office	100%	1995	49,066
Jin Mao Tower (including hotel)	Pudong New Area, Shanghai, China	23,611	292,475	Office	66.77%	1999	216,462
Nanjing Xuanwu Lake Jinmao Plaza Project Phase I (including hotel)	Gulou District, Nanjing, Jiangsu Province, China	19,852	225,846	Complex	(Note 2)	2011	139,806
Changsha Meixi Lake International R&D Centre	Xiangjiang New District, Changsha, Hunan Province, China	46,353	132,856	Office	80%	2017	14,963
Lijiang J•Life	Old Town, Lijiang, Yunnan Province, China	20,761	21,893	Commercial	100%	2014	21,893
Qingdao Jinmao Harbour Shopping Mall	Shinan District, Qingdao, Shandong Province, China	62,276	61,142	Commercial	100%	2017	61,142
Jiayuan Plaza Hypermarket (Note 8)	High-Tech Industrial Development Zone, Ningbo, Zhejiang Province, China	6,712	25,480	Commercial	100%	2013	25,480
Changsha Jinmao Mall of Splendor	Yuelu District, Changsha, Hunan Province, China	21,770	141,723	Commercial	100%	2017	141,723
Total							**781,295**

2. HOTEL OPERATION PROJECTS

Name of project	Location	Hotel site area (square metres)	Hotel gross floor area (square metres)	Equity attributable to the Group	Date of completion	Number of guest rooms
Renaissance Beijing Wangfujing Hotel	Dongcheng District, Beijing, China	9,858	44,435	66.77%	1995	329
Grand Hyatt Shanghai	Pudong New Area, Shanghai, China	(Note 1)	76,013	66.77%	1999	555
Hilton Sanya Yalong Bay Resort & Spa	Yalong Bay Resort, Sanya, Hainan Province, China	108,610	75,208	66.77%	2006	501
The Ritz-Carlton Sanya Yalong Bay	Yalong Bay Resort, Sanya, Hainan Province, China	153,375	83,772	66.77%	2008	455
The Westin Beijing Chaoyang	Chaoyang District, Beijing, China	8,642	77,945	66.77%	2008	550
JW Marriott Hotel Shenzhen	Futian District, Shenzhen, Guangdong Province, China	4,471	51,730	66.77%	2009	411
Westin Nanjing	Gulou District, Nanjing, Jiangsu Province, China	(Note 2)	32,514	(Note 2)	2011	234
Hyatt Regency Chongming	Chongming County, Shanghai, China	(Note 3)	48,992	66.77%	2014	235
Grand Hyatt Lijiang (Note 6)	Old Town, Lijiang, Yunnan Province, China	131,738	84,384	66.77%	2014	401
Meixi Lake Hotel, A Luxury Collection Hotel, Changsha	Yuelu District, Changsha, Hunan Province, China	9,913	62,220	100%	2017	304
Total			**637,213**			**3,975**

3. CITY AND PROPERTY DEVELOPMENT PROJECTS

Name of project	Location	Project site area (square metres)	Project gross floor area* (square metres)	Type of project	Equity attributable to the Group	Date of completion	Unsold/ Undelivered area (square metres)
A. Completed projects							
Site B of Shanghai Port International Cruise Terminal Project	Hongkou District, Shanghai, China	85,089	302,080	Commercial	50%	2011	–
Of which: Portion above ground of Building No. 11 of Shanghai Port International Cruise Terminal	Hongkou District, Shanghai, China		6,165	Commercial	50%	2011	6,165
Zhuhai Every Garden Project	Xiangzhou District, Zhuhai, Guangdong Province, China	43,499	137,225	Residential	100%	2008	4,143
Beijing Chemsunny World Trade Centre	Xicheng District, Beijing, China	21,659	194,530	Office	100%	2006	42,117
Nanjing Xuanwu Lake Jinmao Plaza Project Phase I (including hotel)	Gulou District, Nanjing, Jiangsu Province, China	19,852	225,846	Complex	(Note 2)	2011	2,746
Beijing Guangqu Jinmao Palace Project	Chaoyang District, Beijing, China	155,918	368,342	Residential	100%	2014	72,254
Shanghai Dongtan Jinmao Noble Manor Project (Note 3)	Chongming Island, Shanghai, China	220,000	173,899	Commercial/ Residential	100%	2014	65,866
Changsha Yuelu Jinmao Meixi Lake Project	Xiangjiang New District, Changsha, Hunan Province, China	156,767	525,940	Commercial/ Residential	100%	2015	135,680
Beijing Ya'ao Jinmao Residence and Beijing Wangjing Jinmao Palace Project	Chaoyang District, Beijing, China	92,768	395,831	Residential	51%	2016	162,230
Hangzhou Huanglong Jinmao Residence Project	Gongshu District, Hangzhou, Zhejiang Province, China	61,160	242,300	Commercial/ Residential	85%	2016	92,390
Chongqing Daping Jinmao Residence Project	Jiulongpo District, Chongqing, China	101,096	500,644	Residential	100%	2016	127,203
Beijing Yizhuang Jinmao Residence Project	Beijing Economic and Technological Development Area, Beijing, China	134,858	414,782	Residential	100%	2017	121,899
Ningbo Nantang Jinmao Palace Project	Haishu District, Ningbo, Zhejiang Province, China	62,458	225,160	Commercial/ Residential	100%	2017	98,776
Chongqing Panlong Jinmao Residence Project	Panlong Area, Jiulongpo District, Chongqing, China	47,036	300,000	Commercial/ Residential	100%	2017	153,888
Changsha Meixi Lake Jinmao Residence Project	Xiangjiang New District, Changsha, Hunan Province, China	154,607	485,577	Commercial/ Residential	70%	2017	128,362
Changsha Meixi Lake International R&D Centre	Xiangjiang New District, Changsha, Hunan Province, China	46,353	132,856	Office	80%	2017	107,595
Ningbo Jiayuan Plaza and Jiali Plaza Project (Note 8)	High-Tech Industrial Development Zone and Jiangdong District, Ningbo, Zhejiang Province, China	64,169	214,649	Residential	100%	2016	2,909
Ningbo Royal Palace Project	Ninghai County, Ningbo, Zhejiang Province, China	132,646	248,530	Residential	51%	2017	6,066
Sub-total							**1,330,289**

Name of project	Location	Project site area (square metres)	Project gross floor area* (square metres)	Type of project	Equity attributable to the Group	Date of completion	Unsold/ Undelivered area (square metres)
B. Projects under development							
Beijing Yizhuang Jinmao Noble Manor Project	Beijing Economic and Technological Development Area, Beijing, China	159,300	558,922	Residential	51% and 100% (Note 5)	2019	513,333
Qingdao Shinan Jinmao Harbour Project	Shinan District, Qingdao, Shandong Province, China	131,202	452,047	Commercial/ Residential	100%	2021	171,085
Qingdao China-Europe International City Project – First batch of land parcels	Prime Location, North Shore New Town, Qingdao, Shandong Province, China	277,586	480,626	Commercial/ Residential	100%	2018	194,922
Shanghai International Shipping Service Center Project	Hongkou District, Shanghai, China	95,594	530,933	Complex	50%	2018	235,793
Shanghai Daning Jinmao Palace Project	Zhabei District, Shanghai, China	96,429	289,200	Residential	36%	2018	204,187
Suzhou Gusu Jinmao Palace Project	Gusu District, Suzhou, Jiangsu Province, China	86,018	342,422	Residential	100%	2018	135,447
Ningbo Jiangdong Jinmao Palace Project	Jiangdong District, Ningbo, Zhejiang Province, China	93,646	315,850	Residential	57%	2019	315,850
Chongqing Jinmao International Ecological New City Project	Yubei District, Chongqing, China	217,221	825,666	Commercial/ Residential	45.465%	2021	794,071
Guangzhou Nansha Jinmao Harbour Project	Nansha District, Guangzhou, Guangdong Province, China	243,400	778,652	Complex	90%	2019	591,990 (Note 7)
Changsha Meixi Lake Jinmao Plaza Project	Xiangjiang New District, Changsha, Hunan Province, China	152,995	750,827	Complex	100%	2019	466,715
Lijiang Jinmao Whisper of Jade Dragon Project	Lijiang World Heritage Park, Lijiang, Yunnan Province, China	363,938	207,902	Residential	100%	2020	158,575
Lijiang Snow Mountain Jinmao Noble Manor Project	Ganhaizi, Jade Dragon Snow Mountain, Lijiang, Yunnan Province, China	54,027	18,887	Commercial/ Residential	100%	2021	18,887
Qingdao China-Europe International City Project – Second batch of land parcels	Prime Location, North Shore New Town, Qingdao, Shandong Province, China	141,597	354,644	Commercial/ Residential	100%	2021	354,644
Beijing Jinmao Palace Project	Fengtai District, Beijing, China	84,985	220,404	Residential	49%	2020	220,404
Beijing Fengtai Jinmao Plaza Project	Fengtai District, Beijing, China	29,500	177,662	Office/ Commercial	44.1%	2020	177,662
Cinda & Jinmao – Tianhe Jinmao Plaza Project	Tianhe District, Guangzhou, Guangdong Province, China	92,225	329,040	Residential/ Commercial	40%	2020	329,040
Changsha Meixi Lake Jinmao Harbour Project	Xiangjiang New District, Changsha, Hunan Province, China	119,862	498,605	Commercial/ Residential	50%	2019	498,605
Nanjing Dongcheng Jinmao Residence Project	Jiangning District, Nanjing, Jiangsu Province, China	34,923	118,880	Residential	40%	2018	118,880
Ningbo Haishu Jinmao Residence Project	Haishu District, Ningbo, Zhejiang Province, China	51,214	173,609	Residential	50%	2018	173,609
Hangzhou Binjiang Jinmao Palace Project	Binjiang District, Hangzhou, Zhejiang Province, China	72,219	248,371	Residential	50%	2020	248,371
Guangzhou Zhujiang Jinmao Palace Project	Liwan District, Guangzhou, Guangdong Province, China	47,367	314,321	Residential	50%	2019	281,181
Foshan Jinmao Green Island Lake Project	Chancheng District, Foshan, Guangdong Province, China	205,684	638,074	Residential	65%	2021	638,074
Tianjin Haihe Jinmao Palace Project	Hedong District, Tianjin, China	125,926	407,313	Complex	100%	2020	407,313
Zhengzhou Beilonghu Jinmao Palace Project	Zhengdong New District, Zhengzhou, Henan Province, China	55,930	155,256	Residential	51%	2019	155,256
Shanghai New City Hongkou Jinmao Palace Project	Hongkou District, Shanghai, China	19,960	86,889	Residential/ Commercial	49%	2019	86,889

Name of project	Location	Project site area (square metres)	Project gross floor area* (square metres)	Type of project	Equity attributable to the Group	Date of completion	Unsold/ Undelivered area (square metres)
B. Projects under development							
Shanghai Xijiao Jinmao Palace Project	Jiading New City, Jiading District, Shanghai, China	86,623	211,224	Residential	29.73%	2019	211,224
Shoukai Hangzhou Jinmao Palace Project	Gongshu District, Hangzhou, Zhejiang Province, China	69,151	277,822	Residential	49%	2020	277,822
Suzhou Hushuguan Project	High-Tech Industrial Development Zone, Suzhou, Jiangsu Province, China	92,435	268,265	Residential	51%	2019	268,265
Suzhou Science and Technology City • Jinmao Palace	High-Tech Industrial Development Zone, Suzhou, Jiangsu Province, China	194,396	501,772	Complex	26.5%	2020	501,772
Ningbo Yaojiang Jinmao Palace Project	Yaojiang New City, Jiangbei District, Ningbo, Zhejiang Province, China	94,301	232,771	Residential	49%	2019	232,771
Wuxi Lihu Jinmao Palace Project	Binhu District, Wuxi, Jiangsu Province, China	124,337	440,071	Residential	51%	2020	440,071
Wenzhou Oujiangkou International New City Project	Dongtou District, Wenzhou, Zhejiang Province, China	421,321	914,502	Complex	100%	2021	914,502
Hefei Beiyanhu Jinmao Harbour Project	High-Tech Industrial Development Zone, Hefei, Anhui Province, China	103,231	311,358	Residential	29.4%	2019	311,358
Hefei Binhu Jinmao Residence Project	Binhu District, Hefei, Anhui Province, China	71,042	240,167	Residential	34%	2019	240,167
Wuhan Donghu Jinmao Palace Project	Hongshan District, Wuhan, Hubei Province, China	111,571	747,200	Residential/ Commercial	33%	2020	747,200
Shenzhen Longhua Jinmao Palace Project	Longhua New District, Shenzhen, Guangdong Province, China	35,673	188,840	Residential	55%	2018	188,840
Fuzhou Gulou Jinmao Palace Project	Gulou District, Fuzhou, Fujian Province, China	105,707	342,735	Residential	40%	2019	342,735
Chengdu Wuhou New City Project	Wuhou District, Chengdu, Sichuan Province, China	108,204	382,611	Residential	100%	2020	382,611
Beijing Fengtai Jinmao Plaza Project (Land Parcel B of Science Park Project)	Fengtai District, Beijing, China	14,788	78,653	Office/ Commercial	28.6%	2020	78,653
Nanjing Xuanwu Lake Jinmao Plaza Project Phase II	Gulou District, Nanjing, Jiangsu Province, China	18,068	227,300	Complex	(Note 2)	2019	227,300
Nanjing Hexi Jinmao Palace Project (Land Parcel No.20-7)	Hexi New Town, Nanjing, Jiangsu Province, China	33,391	119,560	Residential	26%	2021	119,560
Nanjing Hexi Jinmao Palace Project (Land Parcel No.20-8)	Hexi New Town, Nanjing, Jiangsu Province, China	35,092	125,153	Residential	26%	2020	125,153
Sub-total							**13,100,787**

Name of project	Location	Project site area (square metres)	Project gross floor area* (square metres)	Type of project	Equity attributable to the Group	Date of completion	Unsold/ Undelivered area (square metres)
C. Land under development							
Nanjing Qinglong Mountain International Ecological New City Project	City Centre of Shangfang, Jiangning, Nanjing, Jiangsu Province, China	3,230,000	3,798,000	Primary	80%	2020	2,905,222
Changsha Meixi Lake International New City Project Phase I	Xiangjiang New District, Changsha, Hunan Province, China	2,808,428	9,402,328	Primary	80%	2019	2,025,556
Changsha Meixi Lake International New City Project Phase II	Xiangjiang New District, Changsha, Hunan Province, China	4,535,600	12,680,000	Primary	70% (Note 4)	2020	12,680,000
Changsha Meixi Lake International New City Land Block A Project	Xiangjiang New District, Changsha, Hunan Province, China	276,322	828,966	Primary	80%	2019	828,966
Sub-total							**18,439,744**

Name of project	Location	Project site area (square metres)	Project gross floor area* (square metres)	Type of project	Equity attributable to the Group	Date of completion
D. Reserve projects						
Changsha Meixi Lake Land Parcel F13 Project	Xiangjiang New District, Changsha, Hunan Province, China	18,543	191,264	Commercial	100%	2019
Shanghai Hongkou District Tilanqiao Land Parcel No. HK322-01	Hongkou District, Shanghai, China	14,146	104,244	Office/ Commercial	30%	2020
Nanjing Southern Hexi Yuzui Land Parcel No. G97	Jianye District, Nanjing, Jiangsu Province, China	141,110	1,176,204	Complex	27.5%	2023
Nanjing Greenland Jinmao • International Finance Centre	Jiangbei New District, Nanjing, Jiangsu Province, China	200,634	1,223,790	Complex	40%	2023
Nanjing Jiangning Shangfang Land Parcel No. 34	Jiangning District, Nanjing, Jiangsu Province, China	33,193	119,100	Residential	51%	2020
Nanjing Jiangning Shangfang Land Parcel No. 39	Jiangning District, Nanjing, Jiangsu Province, China	86,628	310,272	Residential	70%	2021
Nanjing Tangshan Kickoff Area Land Parcel No. G82	Jiangning District, Nanjing, Jiangsu Province, China	124,684	79,555	Hotel/ Residential	47%	2025
Beijing Fengtai Lize Business District Land Parcel No. D-07/08	Fengtai District, Beijing, China	27,295	207,804	Office	25%	2019
Beijing Serenity Palace	Fengtai District, Beijing, China	65,650	334,973	Residential	20%	2020

Name of project	Location	Project site area (square metres)	Project gross floor area* (square metres)	Type of project	Equity attributable to the Group	Date of completion
Beijing Chaoyang Jinmao Centre Project	Chaoyang District, Beijing, China	38,100	96,786	Office	100%	2019
Qingdao China-Europe International City Project – Third batch of land parcel	Prime Location, North Shore New Town, Qingdao, Shandong Province, China	610,640	2,451,704	Commercial/ Residential	100%	2023
Tianjin Shangdong • Jinmao Palace	Dongli District, Tianjin, China	91,048	263,107	Residential	100%	2019
Shanghai North Bund Land Parcel No. HK314-05	Hongkou District, Shanghai, China	22,855	210,740	Office/ Commercial	30%	2021
Hangzhou Gongshu Shangtang Land Parcel No. FG04-R21-02	Gongshu District, Hangzhou, Zhejiang Province, China	36,456	139,904	Residential	100%	2019
Hangzhou Dongcheng Jinmao Palace	Jianggan District, Hangzhou, Zhejiang Province, China	38,447	143,707	Residential	100%	2019
Ningbo Cicheng Jinmao Noble Manor	Jiangbei District, Ningbo, Zhejiang Province, China	89,152	225,555	Residential	30%	2020
Land parcel in Meicun, Xinwu, Wuxi	Xinwu District, Wuxi, Jiangsu Province, China	52,841	154,989	Residential	12.25%	2020
Wuxi Xibei Land Parcel No. XDG-2014-31	Xishan District, Wuxi, Jiangsu Province, China	137,000	264,825	Residential	49%	2019
Land parcel in Jiulonghu, Honggutan New District, Nanchang	Honggutan New District, Nanchang, Jiangxi Province, China	64,471	154,888	Residential/ Commercial	30%	2022
Foshan Zumiao • Jinmao Residence	Chancheng District, Foshan, Guangdong Province, China	62,262	319,569	Residential	100%	2020
Fuzhou Cangshan Land Parcel No. 2017-12	Cangshan District, Fuzhou, Fujian Province, China	156,496	367,406	Residential	10%	2020
Xiamen Xiang'an • Jinmao Residence	Xiang'an District, Xiamen, Fujian Province, China	25,436	97,800	Residential	100%	2020
Chongqing Liangjiang New District Longxing Mediterranean Project	Yubei District, Chongqing, China	315,345	317,528	Residential/ Hotel	100%	2020
Chongqing Liangjiang New District Longxing Land Parcel No. 17099	Yubei District, Chongqing, China	167,963	259,021	Residential	50%	2020
Land parcel in Lijia, Liangjiang New District, Chongqing	Yubei District, Chongqing, China	95,789	257,906	Residential	20%	2020
Shenzhen Longhua Yuhu Industrial Area Project	Longhua District, Shenzhen, Guangdong Province, China	8,513	48,810	Residential	85%	2020
Wenzhou Longwan Yaoxibei Project	Longwan District, Wenzhou, Zhejiang Province, China	136,472	596,242	Residential/ Commercial	16.5%	2022
Jiaxing Jingkai Land Parcel No. 2017-15	Nanhu District, Jiaxing, Zhejiang Province, China	115,517	346,211	Residential	55%	2020
Suzhou Wuzhong Land Parcel No. WG73	Wuzhong District, Suzhou, Jiangsu Province, China	33,715	103,465	Residential	100%	2021
Wuhan Xinzhou Yangluo Street Wanshan Village Land Parcel No. P(2018)001	Xinzhou District, Wuhan, Hubei Province, China	173,799	494,641	Residential/ Commercial	30%	2022
Xi'an Chang'an University City Land Parcels Nos. CA06-23-7, 9	Chang'an District, Xi'an, Shaanxi Province, China	56,272	196,571	Residential	100%	2021
Xuzhou Tongshan Land Parcel No. 2018-01	Tongshan District, Xuzhou, Jiangsu Province, China	36,034	75,210	Residential	100%	2020
Nanchang Qingyunpu Land Parcel	Qingyunpu District, Nanchang, Jiangxi Province, China	53,975	172,739	Residential/ Commercial	18%	2021
Foshan Shunde Lecong Land Parcel	Shunde District, Foshan, Guangdong Province, China	97,814	368,176	Residential/ Commercial	100%	2022
Sub-total			**11,874,706**			

PROJECTS ACQUIRED SINCE 2017

Name of project	Location	Project site area (square metres)	Project gross floor area* (square metres)	Type of project	Equity attributable to the Group	Date of completion	Unsold/ Undelivered area (square metres)
Ningbo Yaojiang Jinmao Palace Project	Yaojiang New City, Jiangbei District, Ningbo, Zhejiang Province, China	94,301	232,771	Residential	49%	2019	232,771
Nanjing Southern Hexi Yuzui Land Parcel No. G97	Jianye District, Nanjing, Jiangsu Province, China	141,110	1,176,204	Complex	27.5%	2023	1,176,204
Suzhou Hushuguan Project	Suzhou New and High-Tech Zone, Suzhou, Jiangsu Province, China	92,435	268,265	Residential	51%	2019	268,265
Suzhou Science and Technology • Jinmao Palace Project	Suzhou New and High-Tech Zone, Suzhou, Jiangsu Province, China	194,396	501,772	Complex	26.5%	2020	501,772
Wenzhou Oujiangkou International New City Project	Dongtou District, Wenzhou, Zhejiang Province, China	421,321	914,502	Complex	100%	2021	914,502
Hefei Binhu Jinmao Residence Project	Binhu District, Hefei, Anhui Province, China	71,042	240,167	Residential	34%	2019	240,167
Fuzhou Gulou Jinmao Palace Project	Gulou District, Fuzhou, Fujian Province, China	105,707	342,735	Residential	40%	2019	342,735
Chengdu Wuhou New City Project	Wuhou District, Chengdu, Sichuan Province, China	108,204	382,611	Residential	100%	2020	382,611
Nanjing Greenland Jinmao • International Finance Centre	Jiangbei New District, Nanjing, Jiangsu Province, China	200,634	1,223,790	Complex	40%	2023	1,223,790
Nanjing Jiangning Shangfang Land Parcel No. 34	Jiangning District, Nanjing, Jiangsu Province, China	33,193	119,100	Residential	51%	2020	119,100
Nanjing Jiangning Shangfang Land Parcel No. 39	Jiangning District, Nanjing, Jiangsu Province, China	86,628	310,272	Residential	70%	2021	310,272
Nanjing Tangshan Kickoff Area Land Parcel No. G82 (Hotel)	Jiangning District, Nanjing, Jiangsu Province, China	124,684	79,555	Hotel/ Residential	47%	2025	79,555
Beijing Fengtai Lize Business District Land Parcel No. D-07/08	Fengtai District, Beijing, China	27,295	207,804	Office	25%	2019	207,804
Beijing Serenity Palace	Fengtai District, Beijing, China	65,650	334,973	Residential	20%	2020	334,973
Beijing Chaoyang Jinmao Centre Project	Chaoyang District, Beijing, China	38,100	96,786	Office	100%	2019	96,786
Qingdao China-Europe International City Project – Third batch of land parcel	Prime Location, North Shore New Town, Qingdao, Shandong Province, China	610,640	2,451,704	Commercial/ Residential	100%	2023	2,451,704
Tianjin Shangdong • Jinmao Palace	Dongli District, Tianjin, China	91,048	263,107	Residential	100%	2019	263,107
Shanghai North Bund Land Parcel No. HK314-05	Hongkou District, Shanghai, China	22,855	210,740	Office/ Commercial	30%	2021	210,740
Hangzhou Gongshu Shangtang Land Parcel No. FG04-R21-02	Gongshu District, Hangzhou, Zhejiang Province, China	36,456	139,904	Residential	100%	2019	139,904
Hangzhou Dongcheng Jinmao Palace	Jianggan District, Hangzhou, Zhejiang Province, China	38,447	143,707	Residential	100%	2019	143,707

Name of project	Location	Project site area (square metres)	Project gross floor area* (square metres)	Type of project	Equity attributable to the Group	Date of completion	Unsold/ Undelivered area (square metres)
Ningbo Cicheng Jinmao Noble Manor	Jiangbei District, Ningbo, Zhejiang Province, China	89,152	225,555	Residential	30%	2020	225,555
Land parcel in Meicun, Xinwu, Wuxi	Xinwu District, Wuxi, Jiangsu Province, China	52,841	154,989	Residential	12.25%	2020	154,989
Wuxi Xibei Land Parcel No. XDG-2014-31	Xishan District, Wuxi, Jiangsu Province, China	137,000	264,825	Residential	49%	2019	264,825
Land parcel in Jiulonghu, Honggutan New District, Nanchang	Honggutan New District, Nanchang, Jiangxi Province, China	64,471	154,888	Residential/ Commercial	30%	2022	154,888
Foshan Zumiao • Jinmao Residence	Chancheng District, Foshan, Guangdong Province, China	62,262	319,569	Residential	100%	2020	319,569
Fuzhou Cangshan Land Parcel No. 2017-12	Cangshan District, Fuzhou, Fujian Province, China	156,496	367,406	Residential	10%	2020	367,406
Xiamen Xiang'an • Jinmao Residence	Xiang'an District, Xiamen, Fujian Province, China	25,436	97,800	Residential	100%	2020	97,800
Chongqing Liangjiang New District Longxing Mediterranean Project	Yubei District, Chongqing, China	315,345	317,528	Residential/ Hotel	100%	2020	317,528
Chongqing Liangjiang New District Longxing Land Parcel No. 17099	Yubei District, Chongqing, China	167,963	259,021	Residential	50%	2020	259,021
Land parcel in Lijia, Liangjiang New District, Chongqing	Yubei District, Chongqing, China	95,789	257,906	Residential	20%	2020	257,906
Shenzhen Longhua Yuhu Industrial Area Project	Longhua District, Shenzhen, Guangdong Province, China	8,513	48,810	Residential	85%	2020	48,810
Wenzhou Longwan Yaoxibei Project	Longwan District, Wenzhou, Zhejiang Province, China	136,472	596,242	Residential/ Commercial	16.5%	2022	596,242
Ningbo Jiayuan Plaza and Jiali Plaza Project	High-Tech Industrial Development Zone and Jiangdong District, Ningbo, Zhejiang Province, China	64,169	214,649	Residential	100%	2016	2,909
Ningbo Royal Palace Project	Ninghai County, Ningbo, Zhejiang Province, China	132,646	248,530	Residential	51%	2017	6,066
Jiaxing Jingkai Land Parcel No. 2017-15	Nanhu District, Jiaxing, Zhejiang Province, China	115,517	346,211	Residential	55%	2020	346,211
Suzhou Wuzhong Land Parcel No. WG73	Wuzhong District, Suzhou, Jiangsu Province, China	33,715	103,465	Residential	100%	2021	103,465
Wuhan Xinzhou Yangluo Street Wanshan Village Land Parcel No. P(2018)001	Xinzhou District, Wuhan, Hubei Province, China	173,799	494,641	Residential/ Commercial	30%	2022	494,641
Xi'an Chang'an University City Land Parcels Nos. CA06-23-7, 9	Chang'an District, Xi'an, Shaanxi Province, China	56,272	196,571	Residential	100%	2021	196,571
Xuzhou Tongshan Land Parcel No. 2018-01	Tongshan District, Xuzhou, Jiangsu Province, China	36,034	75,210	Residential	100%	2020	75,210
Nanchang Qingyunpu Land Parcel	Qingyunpu District, Nanchang, Jiangxi Province, China	53,975	172,739	Residential/ Commercial	18%	2021	172,739
Foshan Shunde Lecong Land Parcel	Shunde District, Foshan, Guangdong Province, China	97,814	368,176	Residential/ Commercial	100%	2022	368,176
Sub-total			**14,925,200**				**14,470,996**

* Estimated gross floor area

(Note 1) Grand Hyatt Shanghai is situated in Jin Mao Tower.

(Note 2) Westin Nanjing is situated in Nanjing Xuanwu Lake Jinmao Plaza. The Group holds 51% interest in Leading Holdings Limited which, through a 95.78% owned project company, owns Nanjing Xuanwu Lake Jinmao Plaza Phases I and II.

(Note 3) Hyatt Regency Chongming, held as to 66.77% interest by the Group, is situated in Shanghai Dongtan Jinmao Noble Manor.

(Note 4) The Company received an official letter from the Management Committee of Dahexi Pilot Zone in Changsha, confirming that the Company has been selected as the second investor of Changsha Meixi Lake Primary Development Phase II. According to the Confirmation Letter, the total investment required for the Company, as the second investor, to complete all its related works under the Project, is estimated to be 70% of the estimated investment of the Project. At the same time, the Company will be entitled to a full refund of its development costs, as well as a gain representing 70% of the appreciation of land within the area of the Project which is available for distribution to the investors.

(Note 5) Beijing Yizhuang Jinmao Noble Manor is developed on the land parcels X87 and X91 in Beijing. Currently, the Group holds 51% interest in land parcel X87 (GFA: 259,234 square metres) and 100% interest in land parcel X91 (GFA: 299,688 square metres).

(Note 6) Grand Hyatt Lijiang is held as to 66.77% interest by the Group. Grand Hyatt Lijiang in the urban area is situated in Lijiang Jinmao Richmond Town Project; whereas the Mountain Lodge in the scenic area is situated in Ganhaizi, Jade Dragon Snow Mountain.

(Note 7) The unsold/undelivered area of Guangzhou Nansha Jinmao Harbour Project included an area of 28,000 square metres as the hotel under construction.

(Note 8) The commercial portion of Jiayuan Plaza Hypermarket, held as to 100% interest by the Group, is situated in Ningbo Jiayuan Plaza Project.

CITY
DEVELOPMENT

▲ Jinmao Richmond Town

CITY DEVELOPMENT

CHANGSHA

MEIXI LAKE INTERNATIONAL NEW CITY

Changsha Meixi Lake International New City is located at the core region in Xiangjiang New District, Changsha, Hunan Province. Phase I of the project has Second Ring Road to the east, Third Ring Road to the west, Dragon King Harbour River to the north and Taohua Ridge of Yuelu Mountain Range to the south and surrounded by the 3,000-mu of Meixi Lake featuring the elements of mountains, lake, islets and city. Phase I of the project has a site area of approximately 11,452 mu and a total gross floor area of approximately 9.40 million square metres. Phase II of the project, which is situated in the west of Phase I, has a total site area of 16,545 mu and a total gross floor area of approximately 12.68 million square metres, with Third Ring Road to the east, Yuelu Mountain Xiangbiwo Forest Park and Taohua Ridge Forest Park to the south, Tianlei Road to the north and Yuanjiachong Road North and Yuanjiachong Road South to the west. The project comprises a variety of premium segments including high-end residences, a super five-star hotel, Grade 5A office buildings, serviced apartments, a cultural and arts centre and a technology and innovation centre, and is a green and ecological region suitable for residence, business and leisure.

During the Period under Review, the land use right of Meixi Lake land parcels nos. F-19, F-20 and B-50 in Yuelu Area under Phase I of the project were granted by listing-for-sale, and other works of the project progressed well.

CITY DEVELOPMENT

NANJING

QINGLONG MOUNTAIN INTERNATIONAL ECOLOGICAL NEW CITY

Qinglong Mountain International Ecological New City is located in the downtown area of Dongshan Vice City in Nanjing adjacent to the Qinglong – Dalian Mountain Range with a total site area of approximately 3.92 square kilometres and a total gross floor area of approximately 3.8 million square metres. The district performs a number of functions covering a CBD, quality residences, ancillary public infrastructure and scenic district. Its business segments include quality residence, a metropolitan commercial centre, a five-star hotel, office buildings and apartments. The project will be developed into China's model green new city project comprising ecology, technology and culture.

During the Period under Review, the land use right of the project's land parcels nos. 10, 33, 34, 37 and 39 in Shangfang, Jiangning were granted by listing-for-sale, and other works of the project progressed well.

CITY DEVELOPMENT

QINGDAO

CHINA-EUROPE INTERNATIONAL CITY

Qingdao China-Europe International City is situated at Qingdao High-Tech Zone occupying a site area of 2,500 mu and a gross floor area of 4 million square metres. The project marks another China Jinmao's milestone of city development in Qingdao. Facing an ecological wetland park of 5,000 mu, the project introduces the Eden conned the "Eighth Wonder of the World" and aims to be developed into a world-class tourism resort and leisure destination. The project integrates the elements of the city, sectors and eco-environment and comprises a variety of segments from garden villas, aqua front community, elite apartments, office headquarters to city plaza, which will be developed into a diversified whole-resource internationalised community featuring ecology and intelligence. Capitalising on the natural landscapes including the sea, river, woods, lake and wetlands in the region, the project blends into the lifestyles of China and Europe to create a green gold strategic internationalised community. This is expected to drive the development of the third-generation harbour project in the world-class city and come under the spotlight of China and Europe, thus shaping Qingdao into the first choice of conference.

During the Period under Review, the Group won the bid for the third batch of 13 land parcels (with a total site area of 611,090 square metres). The project ranked first in Qingdao City in terms of number of units and area sold of the commercial portion, and the other works of the project progressed well.

CITY DEVELOPMENT

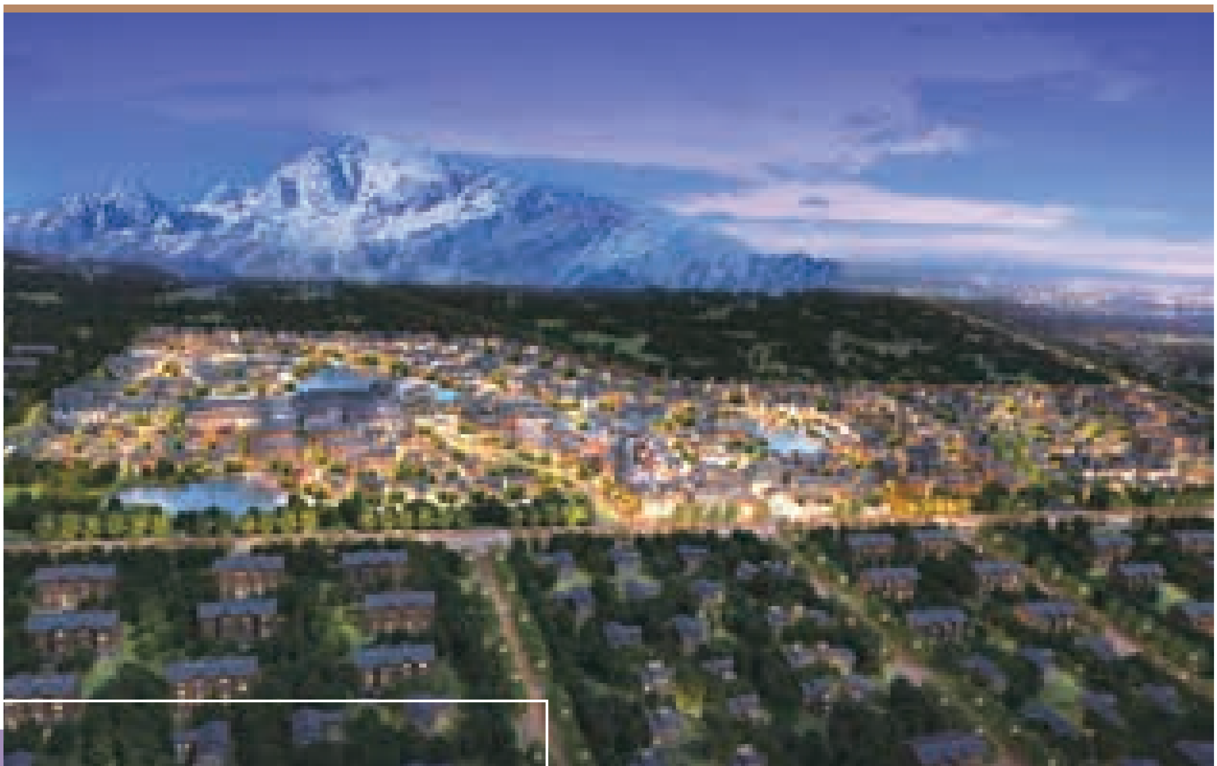
CHONGQING

JINMAO INTERNATIONAL ECOLOGICAL NEW CITY

Chongqing Jinmao International Ecological New City is at the downtown of Liangjiang new area adjacent to Yubei Central Park in Chongqing. The project, which has a site area of approximately 217,221 square metres and a total gross floor area of 825,666 square metres, covers various forms of segments including luxury residence, duplexes, townhouses, office buildings and themed commercial complexes. Unlike those situated in the area of traditional schools, the project caters for the needs throughout a child's growth and fulfils 28 key standards of six major systems, marking China's first landmark property project targeted at all aged below 18.

During the Period under Review, various works of the project were well underway. Sales of the entire project remained high and the project has become a hot property commodity in Liangjiang new area or even across Chongqing. The Group will integrate innovative service value system, comprehensive schooling amenities, convenient transport network and abundant natural resources into the project to shape the new city centre of Chongqing.

CITY DEVELOPMENT



LIJIANG

JINMAO RICHMOND TOWN

Jinmao Richmond Town is located in Lijiang – the only city with three cultural heritages in China and situated at the heart of the high-end vacation resort area at the foot of Jade Dragon Snow Mountain. The project, having a site area of approximately 855.96 mu, has mixed developments and established operations including Jinmao Whisper of Jade Dragon, Grand Hyatt Lijiang and Lijiang J•Life.

Featuring five major segments namely residence, hotel, retail, tourism and culture, the project will be developed into a one-stop ecological, cultural and travel destination in China and become the new city namecard in Lijiang.

During the Period under Review, Jinmao Richmond Town ranked first in terms of annual unit sales amount exceeding RMB10,000 per square metre, number of dwelling sizes and area sold for 2017 in Lijiang, and other works of the project progressed steadily.

CITY DEVELOPMENT

WENZHOU

OUJIANGKOU INTERNATIONAL NEW CITY

As the key benchmark project debuted under Wenzhou's east expansion strategy, Oujiangkou International City is situated at the prime location in Wenzhou Oujiangkou Industrial Cluster with Zhuangyuanao Deepwater Port to the east, Wenzhou Longwan International Airport to the south and Wenzhou Economic and Technological Development Zone to the west. Under relevant framework agreement, the development will cover an area of 3.36 square kilometres. Currently, the Company has acquired land area of 420,000 square metres, with a gross floor area of more than 900,000 square metres. The project is by far the rarest super large-scale city development in Wenzhou. Adjacent to Ouyang station of S1 Urban Railway, the project is in the vicinity of heavy-weighted established amenities such as Wenzhou Foreign Language School and Oujiangkou New District Hospital. Upholding the principle of "exquisite craftsmanship", the project will be shaped into a "premium-value city" in Wenzhou in the new golden decade of cities and is set to become a first-class established community model of ecological city suitable for residence in Oujiangkou.

During the Period under Review, the project commenced sales in 135 days upon project acquisition. Sales was overwhelming on the date of launch where more than 5,000 subscribed on site. Part of the underground works were completed and all project nodes progressed well on schedule.

PROPERTY DEVELOPMENT

▲ Beilonghu Jinmao Palace

PROPERTY DEVELOPMENT

BEIJING

BEIJING JINMAO PALACE

Beijing Jinmao Palace is located in Songjiazhuang region, South Third Ring Road, Beijing, and is the first project launched in Beijing after China Jinmao's strategic transformation. The project aims to enhance the Jinmao Palace series in an effort to shape the "palace level" Jinmao Palace. As the first Jinmao Palace project of China Jinmao named after the city's name, it represents the only palace in the city but it is more than a palace. Beijing Jinmao Palace is a brand-new prototype of China Jinmao which adopts the operating strategy of the city by introducing municipal ancillary resources and facelifting the old town through innovative neighbourhood rebuilding, resulting in a better life of the city. It is not only a project, but an integrator of regional ancillary services. The introduction of this project has changed the image of the region. Within the one square kilometre area, the project follows the lifestyle of the internationalised street blocks of Manhattan, New York to create a 1,000-step accessible multi-dimensional metropolitan eco-circle of Jinmao, covering eight areas such as villa, medical, senior care, academics, retail (clubhouse), city park, metro and neighbourhood space. This will form a border-friendly complex community sustainable to cater for the needs of the city in its whole-life cycle.

During the Period under Review, the project was launched twice and sold out at each time, making it a hot commodity in Beijing; and other works of the project progressed well. In January 2017, Beijing Jinmao Palace was rated the "Model Luxury High-Tech Residential Project in China (Beijing) for 2017" at the election by www.fang.com. In the same month, Beijing Jinmao Palace earned the "Best Quality Mansion Award" at the NetEase golden dwelling size election organised by NetEase. In May 2017, Beijing Jinmao Palace was rated the "Harvard China Trip Urban Design Research Base" by Harvard Gradual School of Design.

PROPERTY DEVELOPMENT

BEIJING

YIZHUANG JINMAO NOBLE MANOR

Beijing Yizhuang Jinmao Noble Manor is another brand new Noble Manor series product of China Jinmao in Beijing following the Palace series and Residence series. The area of the product ranges from 180 to 210 square metres aiming to enhance the lifestyle of two generations of a family. Taking a duplex residence design, it features a two-level new courtyard city villa and also marks the first villa product in Beijing integrating the technology system of constant temperature, humidity and oxygen into villas and courtyards. Adhering to the principle of "craftsmanship", the project blends the "Chinese soul and western technology" in its architecture and shapes an exclusive new courtyard villa which highlights the mix of nature and courtyard to enrich people's life.

During the Period under Review, some properties of the project were delivered and the acceptance test was completed; delivery process went smoothly; and various works progressed well.

PROPERTY DEVELOPMENT

BEIJING

FENGTAI JINMAO PLAZA

Beijing Fengtai Jinmao Plaza is situated at the core of Fengtai Science Park, West Fourth Ring Road. As the central business district of Beijing's new technology business, the headquarters of Fengtai Science Park mark another core headquarter business cluster following the Financial Street and Lize Financial District. It is a convergence of strong funding capabilities and sector demographic dividend which is in the phase of rapid development with tremendous future appreciation potential. Positioned with features of "exquisite craftsmanship and quality, green health and smart technology", Fengtai Jinmao Plaza strives to create three major property categories comprising LEED Gold high-end headquarters office premises, iterative operation smart business space as well as trendy and artistic retail street by adhering to the standards of LEED Gold and China Three-Star Green Label. Meanwhile, it has an upgraded green gold technology system and smart system in pursuit of quality excellence in a boundless, healthy, comfortable and secured environment to cater for customers' lifestyle in a brand-new city with a 360-degree approach. Adhering to the principles of Jinmao city operator and green gold technology, the project is set to be a landmark complex which transforms the business lifestyle of the city, and serves as a brand-new series of the plaza upgrade as a result of the iterative operation of the city.

During the Period under Review, various works progressed well.

PROPERTY DEVELOPMENT

CHANGSHA

MEIXI LAKE JINMAO HARBOUR

Meixi Lake Jinmao Harbour, which is located at the core region in Xiangjiang New District, Hunan, is at the starting point in the east from the central axis of Meixi Lake International New City under planning where Longwangang River and the sports park are at its west and the 3,000-mu Meixi Lake is at its east. It is situated at the land parcel that enjoys the lakefront view in the Meixi Lake area. The project will comprise a variety of segments including quality residence, lakefront business park and LOFT apartments with integrated functions ranging from leisure, culture, entertainment to business. As to product development, China Jinmao, by insisting on the green gold philosophy of "green technology and Jinmao quality", endeavours to create an environment which allows the home owners residing there to enjoy green and healthy living styles.

During the Period under Review, the main body of construction works in Phase I was topped out. Meixi Lake Jinmao Harbour remained a hot commodity throughout the Year. The project was launched five times and sold out each time with zero inventory in general. It was ranked first and second in terms of units sold and sales amount in the region, respectively. Currently, various works progressed smoothly.

PROPERTY DEVELOPMENT

CHANGSHA

MEIXI LAKE JINMAO PLAZA

Changsha Meixi Lake Jinmao Plaza is located at the core region in Xiangjiang New District, Hunan Province. Situated at the core region of the north bank of Meixi Lake International New City, which has Meixi Lake and Festival Island to the south, the city's main road Meixi Lake Road to the north which seamlessly connected to Metro Line No. 2 under operation and an international cultural and arts centre to the east, the project enjoys a favourable geographical location. It will be developed into a high-end large-scale city complex consisting of a five-star hotel, a shopping mall, Grade A office premises and residences.

During the Period under Review, Changsha Meixi Lake Jinmao Palace, which is situated inside Changsha Meixi Lake Jinmao Plaza, remained a hot commodity. Its unit selling price continued to set a new record in luxury apartment in Changsha, which consolidated the position of Jinmao Plaza as Changsha's topnotch complex and Meixi Lake's landmark luxury residence. In September 2017, Changsha Jinmao Palace received the "Merit Award for Full Renovation of Residence" by the Jingrui Science and Technology Award Committee of the Ministry of Science and Technology of the People's Republic of China. Currently, various works of the project progress well and the project has reached the stage of completion. Many large corporations and business brands have also expressed strong intent of lease.

PROPERTY DEVELOPMENT

HANGZHOU

BINJIANG JINMAO PALACE

Located at the land parcel on Binsheng Road surrounded by Binjiang District People's Government of Hangzhou, Metro Line No. 1 and Qiantang River, Hangzhou Binjiang Jinmao Palace embraces high-end international residences with an approximate area of 200,000 square metres. The project marks the pioneer residential model project of technology in Hangzhou that simultaneously adopts the European standards of 12 smart technology systems and 5 advanced technologies.

During the Period under Review, the project was launched three times and sold out at each time, becoming a hot-sale landmark product in Hangzhou's high-end residential market. The underground works of the project were completed and other works of the project progressed well.

PROPERTY DEVELOPMENT

NANJING

SOUTHERN HEXI YUZUI LAND PARCEL NO. G97 PROJECT

Located in the core region of Yuzui Financial Service Cluster in Southern Hexi, Jianye District, Nanjing, Nanjing Southern Hexi Yuzui Land Parcel No. G97 Project has a site area of approximately 140,000 square metres and a gross floor area of approximately 1,180,000 square metres. The project will comprise a super high-rise iconic office building with a height of 500-500 metres and become a landmark building in Nanjing.

The project is a high-tech residential product under Jinmao's high-end "Palace" series. Located in the Yuzui region, which is positioned as an international business district, the project enjoys unparalleled advantages location-wise and resources-wise. The project is adjacent to Hexi Olympic Sports Centre and Nanjing South Station, and four major commercial complexes will be developed in the region, in addition to having a children's hospital and BenQ Medical Center in the neighbourhood, the project is also next to Nanjing Foreign Language School, Hexi Branch and Nanjing Channel City Planning Primary School and Junior High School, as well as natural landscapes such as Yuzui Wetland Park, Qinhuai River Scenic Area and Youth Olympic Park and cultural and art resources like Poly Grand Theatre. China Jinmao's foothold in the region not only signifies an upcoming new landmark in Nanjing, the "Nanjing's Lujiazui" comprising high-end residence, commercial office and financial service will also emerge in the area in the future.

During the Period under Review, various works of the project progressed well.

PROPERTY DEVELOPMENT

GUANGZHOU

TIANHE JINMAO PLAZA

Guangzhou Tianhe Jinmao Plaza Project is situated at the prime location of Hebei, Guangzhou (at the south of the Meihuayuan Station of Metro Line No. 3). Occupying a gross floor area of approximately 330,000 square metres, it has a comprehensive range of facilities in the surrounding region and benefits from framework of a prosperous city. Featuring three principal product lines, namely the Jinmao Palace series high-end residence, trendy business centre and light luxury stylish apartment, the project represents a landmark business complex of China Jinmao as a leading quality property developer in the Southern China region.

During the Period under Review, all units launched under Jinmao Palace's high-end portion upon its initial launch were sold out; the main body of the construction works of the project was topped out; and other works progressed well.

PROPERTY DEVELOPMENT

TIANJIN

HAIHE JINMAO PALACE

Tianjin Haihe Jinmao Palace is situated at the prime location within the inner ring of Tianjin and is 1km from the riverfront closest to Haihe, representing the city landmark comprising the plant's commercial, office and high-end residence functions at the original site of Tianjin No.1 Thermal Plant. The project makes use of 12 major technology systems to shape a motion-sensing green gold quality high-tech luxury residence experience.

During the Period under Review, Tianjin Haihe Jinmao Palace Project had its initial launch smoothly, laying a solid foundation for building Jinmao brand in the Tianjin market. Other works of the project progressed well.

PROPERTY DEVELOPMENT

WUXI

LIHU JINMAO PALACE

Wuxi Lihu Jinmao Palace is located at the northwest corner at the junction of Jinshui Road and Jincheng West Road adjacent to the Binhu district government, enjoying a comprehensive range of commercial amenities. Situated at the central position to Lihu, the project enjoys the world-class natural landscape of Lihu surrounded by a number of inner ring expressways connecting to various regions of Wuxi in 15 minutes. Lihu Jinmao Palace Project is conducive to promoting China Jinmao brand to set foot in Wuxi.

During the Period under Review, the project aroused explosive demand from the market upon its initial launch in October. The high-rise units commenced sales in December and became hot sale again, making it another landmark project in the property market of Wuxi. All project nodes progressed well on schedule.

PROPERTY DEVELOPMENT

FUZHOU

GULOU JINMAO PALACE

Located in the hustle and bustle area of Gulou in Fuzhou, provincial capital of Fujian Province, Fuzhou Gulou Jinmao Palace embraces the political, commercial and cultural resources in Fuzhou with a convenient transportation network. The project is a rare parcel of land in the main city area for low-density development with a site area of approximately 106,000 square metres and a gross floor area of approximately 340,000 square metres, which will be developed into a large-scale, low-capacity, low-density ecological and liveable project in Fuzhou comprising multi-level buildings, small high-rise buildings and villas.

During the Period under Review, all project nodes progressed well on schedule.

PROPERTY DEVELOPMENT

NINGBO

YAOJIANG JINMAO PALACE

Ningbo Yaojiang Jinmao Palace is located in the ecological residential area in Yaojiang with grade A river view in the vicinity of three major business circles namely Hengyi Plaza, Jiangbei Wanda Plaza and Sun Art Plaza and adjacent to light rail No. 4. Occupying a gross floor area of approximately 230,000 square metres, the project covers riverfront townhouses and high-tech villas and represents the only low-density luxury high-tech residence in Yaojiang New City, Ningbo.

During the Period under Review, the underground works of the project were about to be completed and various works progressed well.

COMMERCIAL
LEASING

▲ Lobby of Chemsunny World Trade Centre

COMMERCIAL LEASING

During the Period under Review, the leasing of various office projects of the Group performed well. The occupancy rate remained high with growing rental levels.

Occupancy rate of office buildings

Name of project	Beijing Chemsunny World Trade Centre	Sinochem Tower	Jin Mao Tower – office portion	Nanjing Xuanwu Lake Jinmao Plaza Phase I – office portion	Changsha Meixi Lake International R&D Centre
2017	100.00%	100.00%	97.66%	98.4%	100.00%
2016	99.6%	99.1%	90.3%	95.2%	97.6%

COMMERCIAL LEASING

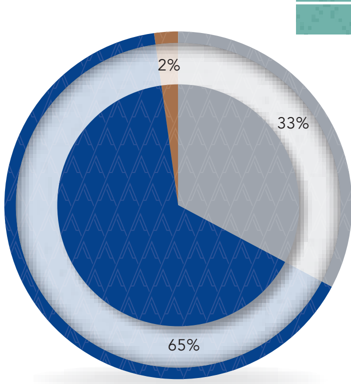
BEIJING

CHEMSUNNY WORLD TRADE CENTRE

Chemsunny World Trade Centre, which is situated on Fuxingmen Nei Avenue within the financial district of Beijing, is adjacent to West Chang'an Avenue and opposite to Financial Street. It is the first premium office building in China being granted China Three-Star Green Label and USGBC's LEED-EB platinum certification at the same time.

Tenant structure of Chemsunny World Trade Centre

- Connected persons – 33%
- Financial – 65%
- Others – 2%



Business Review

COMMERCIAL LEASING

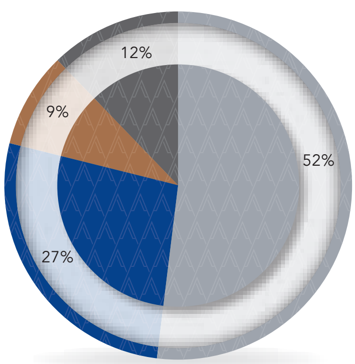
BEIJING

SINOCHEM TOWER

Sinochem Tower, which is situated at the heart of Beijing on Fuxingmen Wai Avenue, the prime location of the business circle of Financial Street which is less than 50 metres away from the subway station of the Beijing Subway Line One, is an office building supported by sophisticated office facilities and personalised services.

Tenant structure of Sinochem Tower

- Connected persons – 52%
- Financial – 27%
- Others – 9%
- Commercial – 12%



COMMERCIAL LEASING

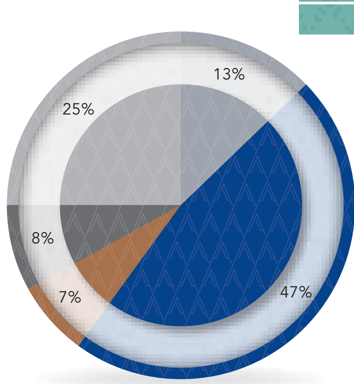
SHANGHAI

JIN MAO TOWER – OFFICE PORTION

Jin Mao Tower, which is situated at the Lujiazui Finance and Trade Zone of Pudong, Shanghai, is one of China's landmark buildings. The 420.5-metre-high 88-storey tower represents a perfect combination of China's traditional architectural techniques and the world's state-of-the-art technology. Its superior landmark effects make the tower one of the first choices as place of business in Shanghai for prestigious domestic and foreign corporations.

Tenant structure of Jin Mao Tower

- Connected persons – 13%
- Financial – 47%
- Others – 7%
- Trading – 8%
- Consultancy – 25%



RETAIL
OPERATIONS

▲ Sanya J•LIFE

RETAIL OPERATIONS

NANJING

NANJING JINMAO PLACE

Nanjing Jinmao Place, which is situated at Xuanwu lakefront within Ming City Wall, embraces a distinctive natural landscape of mountains and the lake. The project, which commenced operation in 2015, represents a unique and diversified high-end commercial complex in Nanjing.

During the Period under Review, the operation of Nanjing Jinmao Place was stable.

RETAIL OPERATIONS

SHANGHAI J•LIFE

Located in the podium building of Jin Mao Tower, Shanghai J•Life, which commenced operation in 2005, is anchored by a variety of famous brands engaging in the provision of private nursing services, financial services, retailing services and Chinese and western catering services, bringing unique and personalised living services for high-end business customers.

During the Period under Review, the operation of Shanghai J•Life was stable.

Other similar operations of the Company include Lijiang J•Life and Sanya J•Life.

RETAIL OPERATIONS

QINGDAO

JINMAO HARBOUR SHOPPING MALL

Qingdao Jinmao Harbour Shopping Mall is located at the harbourfront of Jiaozhou, south of Qingdao opposite to Huangdao Development Zone and Hongdao High-tech Industrial Development Zone across the sea. Opened in June 2017, the project is a seafront shopping mall in Qingdao closest to the sea with the latest design concepts.

During the Period under Review, Qingdao Jinmao Harbour Shopping Mall, after opening, set a record high in terms of customer flow and sales amount among its peers in the region.

RETAIL OPERATIONS

CHANGSHA

JINMAO MALL OF SPLENDOR

Changsha Jinmao Mall of Splendor is located inside Changsha Meixi Lake International New City offering a myriad of functional segments including shopping, recreation, catering, entertainment, Kids Planet and Jinmao Sports. Officially opened in 2017, it is the first self-operated waterfront commercial complex with global leading concepts under the commercial segment of China Jinmao.

During the Period under Review, the operation of Changsha Jinmao Mall of Splendor was stable.

HOTEL
OPERATIONS

▲ JW Marriott Hotel Shenzhen

HOTEL OPERATIONS

During the Year, the hotel operations segment was faced with intensifying price competition. The star-rated hotels in various regions sustained their operating strategy of looking for volume instead of price and average room rate remained low. The Group adopted flexible strategies to optimise customer mix. Overall operating performance of the hotels was stable.

Average room rate, average occupancy rate and average revenue per available room (RMB) of each hotel for 2017

	Grand Hyatt Shanghai	Hilton Sanya Yalong Bay Resort & Spa	The Ritz-Carlton Sanya Yalong Bay	The Westin Beijing Chaoyang	JW Marriott Hotel Shenzhen	Westin Nanjing	Hyatt Regency Chongming	Renaissance Beijing Wangfujing Hotel	Grand Hyatt Lijiang	Meixi Lake Hotel, A Luxury Collection Hotel, Changsha
Average room rate	1,456	1,319	2,129	1,162	1,039	737	826	879	775	695
Average occupancy rate	85.8%	77.8%	74.8%	83.6%	84.6%	74.7%	53.8%	84.4%	48.4%	45.5%
Average revenue per available room	1,249	1,026	1,594	972	879	550	444	742	375	316

Average room rate, average occupancy rate and average revenue per available room (RMB) of each hotel for 2016

	Grand Hyatt Shanghai	Hilton Sanya Yalong Bay Resort & Spa	The Ritz-Carlton Sanya Yalong Bay	The Westin Beijing Chaoyang	JW Marriott Hotel Shenzhen	Westin Nanjing	Hyatt Regency Chongming	Renaissance Beijing Wangfujing Hotel	Grand Hyatt Lijiang
Average room rate	1,459	1,360	2,207	1,134	1,005	738	901	827	814
Average occupancy rate	79.8%	67.3%	74.2%	82.2%	77.4%	68.9%	52.3%	79.0%	41.5%
Average revenue per available room	1,164	915	1,637	932	778	508	471	653	338

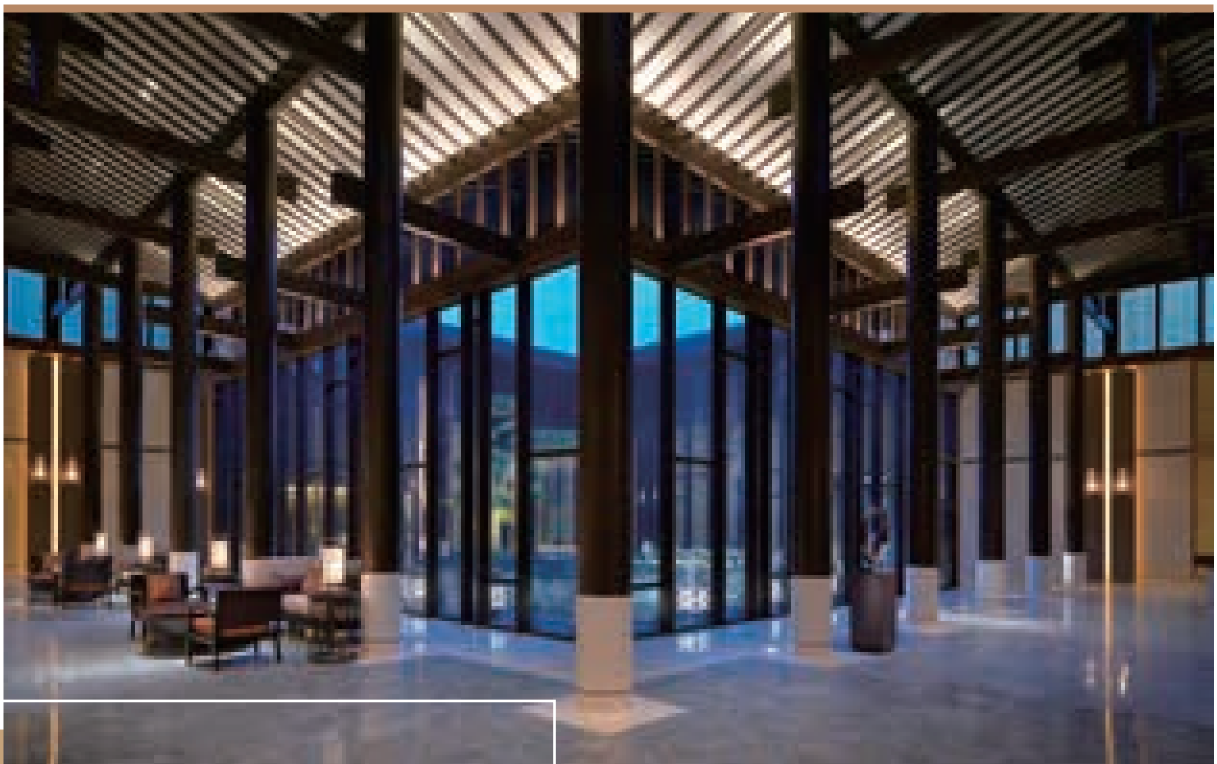
HOTEL OPERATIONS

SHANGHAI

GRAND HYATT SHANGHAI

Situated on 53rd to 87th floors of Jin Mao Tower, Grand Hyatt Shanghai was opened in 1999. The hotel has successfully hosted a series of significant activities such as the Fortune Global Forum, APEC Conference, Asian Bankers' Annual Conference, Forbes' Global CEO Conference and Shanghai Expo, representing one of the landmark hotels in Pudong, Shanghai.

HOTEL OPERATIONS



SHANGHAI

HYATT REGENCY CHONGMING

Hyatt Regency Chongming, which is located at the east of Chongming Island, being the third largest island in China and known as the "land of fish and crops", was opened in 2014. The hotel takes a modern Chinese style as its overall architectural design which naturally blends with the surrounding eco-environment.

HOTEL OPERATIONS

SANYA

HILTON SANYA YALONG BAY RESORT & SPA

Hilton Sanya Yalong Bay Resort & Spa, which is situated at the enchanting Yalong Bay, Hainan, was opened in 2006. The hotel is designed and built with unique features and services to provide an "unparalleled resort experience", a basic concept embodying strong southern China's characteristics.

HOTEL OPERATIONS

SANYA

THE RITZ-CARLTON SANYA YALONG BAY

Situated at the charming Yalong Bay, Hainan, The Ritz-Carlton Sanya Yalong Bay was opened in 2008. The hotel has a number of luxury suites and villas with private housekeepers and independent swimming pools, all of which are situated between the fine and silvery white sand recesses and the conservation zone of the mangrove forest of Yalong Bay.

HOTEL OPERATIONS

BEIJING

THE WESTIN BEIJING CHAOYANG

The Westin Beijing Chaoyang, which is situated at Yansha Business Circle, Chaoyang District, Beijing and adjacent to Beijing's embassy area, is only 25 minutes' ride from Beijing Capital International Airport. Since its opening in 2008, the hotel has served numerous foreign heads of state and business elites, thereby establishing a high-end brand image.

HOTEL OPERATIONS

BEIJING

RENAISSANCE BEIJING WANGFUJING HOTEL

Renaissance Beijing Wangfujing Hotel, which is situated at Wangfujing Avenue and adjacent to Tian'anmen Square and Palace Museum, was opened in 2014. The hotel adopts a unique dual-wing architecture design with an endless spectacular palaces from the Ancient Wall of the Imperial City and The Forbidden City to the west and the modernised international metropolitan clusters in the CBD of Wangfujing to the east, blending the modern and classic into one.

HOTEL OPERATIONS

SHENZHEN

JW MARRIOTT HOTEL SHENZHEN

JW Marriott Hotel Shenzhen, which is located in Futian District, Shenzhen and in close proximity to the Shenzhen Golf Club, was opened in 2009. Its modern tropical design concept blends into the architectural style of the hotel and the local seasonal characteristics, making the hotel one of Shenzhen's landmark superior deluxe five-star business hotels.

HOTEL OPERATIONS

NANJING

WESTIN NANJING

Westin Nanjing, which is located on 23rd to 35th floors of the South Tower in Nanjing Xuanwu Lake Jinmao Plaza, was opened in 2011. The hotel has 234 guest rooms each overlooking a panoramic view of Xuanwu Lake and Purple Mountain.

HOTEL OPERATIONS

LIJIANG

GRAND HYATT LIJIANG

Grand Hyatt Lijiang, which was opened in 2014, is situated inside Jinmao Richmond Town at the northern end of Shangri-La Avenue and connects to J•Life's exquisite commercial portion and premium quality villas. The Mountain Lodge in the scenic area, which was opened in September 2015, is situated in Ganhaizi, Jade Dragon Snow Mountain. The hotels perfectly integrate the elements of Naxi culture and modern comfort, creating an impeccable space for clients to admire the magnificent snow mountain view from their room. In March 2018, Grand Hyatt Lijiang was renamed as Jinmao Hotel Lijiang, in the Unbound Collection by Hyatt.

HOTEL OPERATIONS

CHANGSHA

MEIXI LAKE HOTEL, A LUXURY COLLECTION HOTEL, CHANGSHA

Officially opened in 2017, Meixi Lake Hotel, A Luxury Collection Hotel, Changsha is located at the prime location in the State-level Xiangjiang New District adjacent to Meixi Lake International Cultural & Art Centre. Taking the design of "Exploring the peach garden" and blending the cultural essence of Hu and Xiang, the hotel leads travellers from all over the world to embark on the journey of exploring the peach garden.

HOTEL OPERATIONS

JINMAO DREAMLOHAS RESORT & HOTEL, MOGAN MOUNTAIN

Jinmao Dreamlohas Resort & Hotel, Mogan Mountain is located in the scenic area of Mogan Mountain with a longstanding history and strong cultural ambience adjacent to the residence of MAO Zedong. The hotel, which commenced trial operation in 2017, offers exquisite featured guest rooms with a range of advanced and comprehensive functional facilities, blending together the charm of Oriental Zen with the taste of petite bourgeoisie. The project is the first high-end luxury hotel of Jinmao's hotel segment to provide brand management export service.

FINANCE
AND SERVICES

BUSINESS EXPANSION DRIVEN BY FINANCE INNOVATION

JM Capital, which is jointly set up by China Jinmao and Macquarie Capital, is positioned as a private equity fund management platform specialising in the real estate area and is centered around the whole industry chain of China Jinmao as a city operator using an innovative financial model to map the investment layout where three product lines namely development funds, holdings funds and industrial funds are established.

During the Period under Review, faced with tightening real estate financing policies, Jinmao Capital completed the registration for private equity fund manager. Investing in a variety of projects, including the synergistic investments with China Jinmao and the acquisition of external projects, JM Capital achieved good results. In addition, it actively explored a number of areas including the activation of remnant commercial properties, urban renewal fund and industry investments, laying a solid foundation for the upcoming development.

UNIQUE FEATURES SHAPED BY SERVICE INNOVATION

By leveraging on its property resources and experience, China Jinmao will specialise in green technology R&D, green technology consulting and service, to extend the scope of business to the provision of green building whole-life cycle operations and consulting service. In addition, based on the whole-life cycle of city operations, the Company will gradually form a comprehensive service system with emphasis on property and ancillary services which features tenant recruitment and services, as supplemented by services of retail and hotel management.

During the Period under Review, leveraging on its professional green building platform – Jinmao Green Building, the Company actively implemented the green development strategy with focus on smart energy and real estate technology integrated service areas, and actively carried out product R&D, innovation and integrated application of advanced technologies. During the Year, it obtained 27 patent authorisations and various products were qualified for batch production and market launch. It successfully earned the title of "National High-tech Enterprise" and the building mechanical and electrical installation class 2 qualification. It smoothly passed the energy, quality, environmental, occupational health system certifications, and implemented the first regional energy project. Looking ahead, Jinmao Green Building will adhere to the innovation-driven and technology first strategy so as to increase its core competitiveness.

GREEN
STRATEGY

GREEN STRATEGY

1 DESCRIPTION

In 2017, the Group continued to implement the green strategy as a crucial soft power in achieving innovative development and differentiated competition and was ranked second among the top 10 China Green Property Operators and was ranked third among the top 10 China Green Property Developers according to the 2017 China Green Real Estate Development Report published by China Real Estate Business. During the Year, there were 23 additional projects granted the green label certification, accounting for more than 90% of the total number of development projects. Among them, Nanjing Qinglong Mountain International Ecological New City became the first project in Mainland being granted the BREEAM Certification; Shanghai Daning Jinmao Place won the green building innovation award in China; Zhengzhou Beilonghu Jinmao Palace obtained the UK BREEAM Excellent certificate, representing the first project in Zhengzhou to receive such a certification. Hangzhou Shoukai Jinmao Palace and Tianjin Haihe Jinmao Palace obtained the UK BREEAM Very Good certificate, representing the first project in Hangzhou and Tianjin respectively to receive such a certification. At the same time, Chemsunny World Trade Centre received the WELL gold pre-certification and Jinmao Green Innovation Centre received the ultralow energy consumption passive building certification. These honours have displayed the high-level standards and quality of Jinmao products. Upholding the positioning as "green gold city operator" and the spirit of "striving for excellence" in craftsmanship, China Jinmao again upgraded its green strategy to build the "utmost green" living model. Adhering to the "people-oriented" and "nature and man as one" principles, the "utmost green" strategy ploughed into the eco-friendly and harmonious coexisting concepts to unify the values of the community, businesses and customers. Under the "utmost green quality" strategy, China Jinmao continued to drive upgrade in three areas, namely ecocity, living building and zero-carbon operations, in an effort to set a role model as a green city operator in China. Following the ecocity planning, Changsha Meixi Lake International New City was the first city operation project in China to achieve carbon neutral in 2017 and initiated the establishment of carbon neutral alliance to guide and promote the concept of low-carbon city development, thus contributing to the development of ecological civilisation.

GREEN STRATEGY

2 MAJOR ACTIVITIES AND HONOURS

1. "Utmost green quality" strategic upgrade

In 2017, upholding the "fast run, dare to think and swift move" development philosophy, the high-end quality property positioning of "exquisite craftsmanship and quality, green health and smart technology" and the spirit of "striving for excellence" in craftsmanship, China Jinmao again upgraded its green strategy to build the "utmost green" living model. Adhering to the "people-oriented" and "nature and man as one" principles, the "utmost green" strategy ploughs into the eco-friendly and harmonious coexisting concepts to unify the values of the community, enterprises and customers. Under the green strategy, China Jinmao continued to drive upgrade in three areas, namely ecocity, living building and zero-carbon operations.

2. China Jinmao participated in the 13th Conference on Green Building in China

The 13th Conference on Green and Energy-Efficient Building in China & New Technologies and Products Expo had its grand opening at China National Convention Center in the morning of 21 March 2017. China Jinmao attended the green building conference for the seventh consecutive year. In addition, a speech was delivered on the topic of "Starting a new chapter in natural ecocity operations" at the opening ceremony.

On 22 March 2017, China Jinmao organised the sub-forum on "Natural ecocity operations and practices". During which, China Jinmao and the Technology Development Promotion Centre of the Ministry of Housing and Urban-Rural Development held a grand ceremony for entering into a strategic agreement for the building and development of green ecocity. With the upcoming 13th Five-Year Plans, ecocity will develop in a more healthy and orderly manner where technical documents including the standards and guidelines are actively under compilation and preparation. Leveraging on the practical experience in the three major ecocities, China Jinmao will actively participate in exploring the construction of ecocities with a view to becoming a benchmark enterprise in city development and operations in China.

At the green building conference, China Jinmao was titled the alliance's vice president unit by the Ultralow Energy Consumption Passive Green Building Innovation Alliance of China Association of Building Energy Efficiency.

3. Changsha Meixi Lake International New City Project achieved carbon neutral and set up the carbon neutral alliance

On 11 August 2017, China Jinmao purchased the Chinese Certified Emission Reduction (CCER) of the wind power project in Nanshan, Chengbu, Hunan via China Beijing Environment Exchange to offset the carbon emissions produced in the operations and management of Changsha Meixi Lake International New City's "The Mall of Splendor, Meixi Lake Hotel, A Luxury Collection Hotel, Changsha, Jinmao Palace, Jinmao Residence, and Jinmao Meixi Lake" from the date of operation to 30 June 2017 to achieve carbon neutral. This move signifies another significant green development achievement after obtaining the honour of the State's first batch of "model green ecological areas" granted by the Ministry of Housing and Urban-Rural Development and the "Global Human Settlement Award on Planning and Design" of the United Nations, making it the first city operation project in China to achieve carbon neutral.

To further drive the low-carbon city development in Changsha and as part of its efforts to achieve carbon neutral, China Jinmao joined hands with Xiangjiang New District Management Committee in Hunan and China Beijing Environment Exchange to drum up interests from more than 80 enterprises in forming the Changsha Meixi Lake Carbon Neutral Alliance officially, which will share their milestone development achievements and latest updates, jointly promote the low-carbon concept and technology applications, and lead the enterprises in Changsha, Hunan province or even nationwide to take up more social responsibilities so as to contribute to the development of ecological civilisation.

GREEN STRATEGY

4. **China Jinmao participated in the International Green Building Conference in Singapore**

The 2017 International Green Building Conference, the leading green building annual event in Asia, was held at Sands Expo and Convention Centre in Singapore on 12 September 2017. China Jinmao was invited to attend the conference by the organising committee and delivered a speech on the topic of "China Jinmao's green practices and outlook".

The International Green Building Conference was held by Building & Construction Authority, Singapore as main organiser and Singapore Green Building Council and Reed Exhibitions as co-organisers. The conference attracted 1,500 participants from over 30 countries including government authorities, developers, city planners, architects, engineers, builders and other industry professionals. Themed "Green Development Leading Innovation and Reform", the conference aimed to penetrate into the community, groups of people or even individuals to jointly drive behavioural change and fully implement green reforms.

5. **China Jinmao participated in the 23rd World Climate Conference**

From 7 to 17 November 2017, the United Nations Climate Change Conference was held in Bonn, Germany where various countries exchanged their views on climate change and their own contribution targets and further explored the ways to push ahead the implementation of the Paris Agreement. Premier Xi mentioned in the 19th National Congress report that China has become a key participant, contributor and leader in the global ecological civilisation development. China Jinmao, as a responsible state-owned enterprise, has been taking an active role in coping with climate change. In this occasion, China Jinmao attended the China Corner Meeting of the United Nations Climate Change Conference on behalf of the PRC real estate sector to share its practices in carbon market trades and achieving "carbon neutral" in China, thus building a good image as a low-carbon green enterprise.

China Jinmao attended the carbon market meeting of the climate change conference in Bonn. Not only did he share with the international community the practices of China Jinmao in carbon market trades and "carbon neutral" achievements in China, he also showed the world the commitment of China in building a "Beautiful China" and a "Beautiful World" as a representative of the PRC enterprises. In the sharing session on the PRC enterprises' best practices in the carbon market, China Jinmao spoke on the topic of "CCER practices of construction enterprises" and shared the low-carbon development and CCER records of China Jinmao and the development plans of China Jinmao in the coming decade.

6. **Other awards in 2017**

- Shanghai Daning Jinmao Palace won the National Green Building Innovation Award;
- Shanghai Daning Jinmao Palace was named among the CIHAF 2017 Top 10 Green Projects;
- Mr. LI Congrui, the chief executive officer of China Jinmao, was titled among the "2017 Top 10 Figures of Green Power Driver";
- China Jinmao was ranked second among the Top 10 China Green Building Operators, third among the Top 10 China Green Building Developers, first among the Top 10 State-owned Green Building Developers and first among the Top 10 Fast-growing Green Real Estate Developers.

3 VISION OF GREEN DEVELOPMENT

The year 2017 was a year of China Jinmao for green strategic and comprehensive upgrade, and also a year of exploring proactive business innovation. In 2018, China Jinmao will guide the product innovation and upgrade in response to the development principles and policies regarding "innovation, coordination, greening, openness and sharing" advocated under the central government's 19th National Congress report with a view to achieving speedy and sustainable development.

REVIEW ON OVERALL RESULTS OF THE COMPANY

For the year ended 31 December 2017, profit attributable to owners of the parent amounted to RMB3,977.7 million, representing an increase of 57% compared with RMB2,535.5 million in last year. Profit attributable to owners of the parent less fair value gains on investment properties (net of deferred tax) amounted to RMB3,905.0 million, representing an increase of 89% compared with RMB2,069.1 million in last year.

Basic earnings per share, gross profit margin (by business segment) and net debt-to-adjusted capital ratio are selected by the Group as the indicators of assessment on the profitability and solvency of the Group. The analysis of these indicators can comprehensively summarise and evaluate the financial conditions and operating achievements of the Group, and effectively evaluate the management's governance level and whether the goal of maximising shareholders' interests is achieved.

REVENUE

For the year ended 31 December 2017, the revenue of the Group was RMB31,074.8 million, representing an increase of 14% compared with RMB27,304.1 million in last year.

Revenue by business segments

	For the year ended 31 December				
	2017		2016		
	RMB million	**Percentage of the total revenue (%)**	RMB million	Percentage of the total revenue (%)	Year-on-year change (%)
City and property development	**26,869.2**	**87**	23,593.0	86	14
Commercial leasing and retail operations	**1,370.0**	**4**	1,274.5	5	7
Hotel operations	**2,070.0**	**7**	1,890.0	7	10
Others	**765.6**	**2**	546.6	2	40
Total	**31,074.8**	**100**	27,304.1	100	14

In 2017, revenue from city and property development of the Group increased by 14% over that of last year to approximately RMB26,869.2 million and accounted for approximately 87% of the total revenue, which was mainly attributable to the increase in sales properties delivered and settled as compared with that of last year. Revenue from commercial leasing and retail operations grew by 7% compared with that of last year and accounted for 4% of the total revenue, which was primarily due to the performance growth of a number of the Group's office buildings. Revenue from hotel operations increased by 10% from last year and accounted for 7% of the total revenue, which was primarily attributable to the revenue contribution from Meixi Lake Hotel, A Luxury Collection Hotel, Changsha after its opening and the increase in revenue contribution from JW Marriott Hotel Shenzhen, Renaissance Beijing Wangfujing Hotel and Hilton Sanya Yalong Bay Resort & Spa. Others (primarily including the property-related revenues arising from the observation deck on the 88th floor of Jin Mao Tower, property management and building decoration) accounted for 2% of the total revenue, representing an increase of 40% over that of last year, which was mainly due to the increase in revenue from the property management business.

COST OF SALES AND GROSS PROFIT MARGIN

Cost of sales of the Group for the year ended 31 December 2017 was approximately RMB21,034.2 million (2016: RMB17,099.3 million) and the overall gross profit margin of the Group in 2017 was 32%, which decreased by five percentage points as compared with 37% of last year, mainly attributable to the decrease in the gross profit margin from the city and property development segment.

The gross profit margin of city and property development of the Year decreased as compared with that of last year; the gross profit margin of commercial leasing and retail operations decreased as compared with that of last year; the gross profit margin of hotel operations remained the same as compared with that of last year. The gross profit margin of other business sectors slightly decreased as compared with that of last year.

Gross profit margin by business segments

	For the year ended 31 December	
	2017 Gross profit margin (%)	2016 Gross profit margin (%)
Overall	**32**	37
City and property development	**29**	34
Commercial leasing and retail operations	**83**	86
Hotel operations	**49**	49
Others	**13**	14

OTHER INCOME AND GAINS

Other income and gains of the Group for the year ended 31 December 2017 increased by 158% from RMB1,493.0 million in last year to approximately RMB3,850.9 million. The increase was mainly due to the gain on the disposal of some of the Company's subsidiaries in 2017.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses of the Group for the year ended 31 December 2017 increased by 21% to RMB977.4 million from RMB804.6 million in last year, mainly due to the increase in selling and marketing expenses of Beijing Yizhuang Jinmao Noble Manor Project, Tianjin Haihe Jinmao Palace Project, Foshan Jinmao Green Island Lake Project and Guangzhou Nansha Jinmao Harbour Project. Selling and marketing expenses comprise primarily the advertising expenses, commissions paid to the relevant sales agencies and other expenses in relation to market promotion incurred in the Group's daily operations. Selling and marketing expenses accounted for 3% (2016: 3%) of the Group's total revenue.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group for the year ended 31 December 2017 amounted to RMB2,143.0 million, representing an increase of 37% from RMB1,561.7 million in last year. The increase was mainly attributable to the Group's business expansion and the increase in general office expenses. Administrative expenses mainly comprise staff costs, consultancy fees, entertainment expenses, general office expenses and depreciation expenses. Administrative expenses accounted for 7% (2016: 6%) of the Group's total revenue.

FINANCE COSTS

Total interest expense of the Group for the year ended 31 December 2017 was RMB3,883.1 million, representing an increase of 60% from RMB2,421.6 million in last year, mainly attributable to the new issuance of bonds and increase in loans during the Year. And interest expense capitalised by the Group amounted to RMB2,190.6 million, representing an increase of 29% from RMB1,693.0 million in last year; finance cost for the year ended 31 December 2017 amounted to RMB1,692.4 million, representing an increase of 132% from RMB728.7 million of last year.

INCOME TAX EXPENSE

The Group had an income tax expense of RMB3,674.6 million for the year ended 31 December 2017, representing a decrease of 1% from RMB3,717.1 million in last year. The decrease in income tax expense was primarily attributable to the decrease in land appreciation tax as a result of decrease in gross profit margin of the city and property development segment over that of last year and the increase in PRC corporate income tax expenses (current and deferred) due to the increase in profit before tax for the Year. The Group's effective income tax rate for 2017 was 42% (2016: 45%), which decreased from that of the last year.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the year ended 31 December 2017, profit for the Year amounted to RMB5,150.2 million, representing an increase of 13% compared with RMB4,573.7 million in last year, mainly due to the growth in profit from the city and property development segment in 2017. For the year ended 31 December 2017, profit attributable to owners of the parent amounted to RMB3,977.7 million, representing an increase of 57% compared with RMB2,535.5 million in last year. Profit attributable to owners of the parent excluding fair value gains on investment properties, net of deferred tax, amounted to RMB3,905.0 million, representing an increase of 89% compared with RMB2,069.1 million in last year.

Basic earnings per share for the Year were RMB37.27 cents, an increase of 57% compared with RMB23.76 cents in last year. The increase in basic earnings per share was primarily attributable to the increase in the profit attributable to owners of the parent for the Year. Basic earnings per share excluding fair value gains on investment properties, net of deferred tax, was RMB36.59 cents (2016: RMB19.39 cents).

In October 2010, the Group issued perpetual convertible securities in the amount of US$600 million. In June 2016, the Company repurchased the above perpetual convertible securities in the amount of US$200,000,000. In April 2017, Franshion Capital Limited (a wholly owned subsidiary of the Company) redeemed the above perpetual convertible securities in the amount of US$400 million. It resulted in a dilution of earnings per share. Upon dilution, earnings per share of the Company in 2017 amounted to RMB35.95 cents (2016: RMB21.03 cents).

Comparison of profit attributable to owners of the parent before and after fair value gains on investment properties, net of deferred tax

	For the year ended 31 December 2017 (RMB million)	2016 (RMB million)	Year-on-year change (%)
Profit attributable to owners of the parent	**3,977.7**	2,535.5	57
Less: fair value gains on investment properties, net of deferred tax	**(72.7)**	(466.4)	(84)
Profit attributable to owners of the parent excluding fair value gains on investment properties, net of deferred tax	**3,905.0**	2,069.1	89
Basic earnings per share (in RMB cents)	**37.27**	23.76	57
Basic earnings per share excluding fair value gains on investment properties, net of deferred tax (in RMB cents)	**36.59**	19.39	89

INVESTMENT PROPERTIES

As at 31 December 2017, investment properties of the Group comprised the Central and West Towers and some floors of the East Tower of Beijing Chemsunny World Trade Centre, offices of Jin Mao Tower (for lease), Sinochem Tower, office portion of Nanjing Xuanwu Lake Jinmao Plaza and Nanjing Jinmao Place, Changsha Meixi Lake International R&D Centre, Lijiang J•Life, Qingdao Jinmao Harbour Shopping Mall and Changsha Jinmao Mall of Splendor. Investment properties increased from RMB22,029.3 million as at 31 December 2016 to RMB27,812.3 million as at 31 December 2017. The increase was mainly due to the addition of the new investment properties namely Qingdao Jinmao Harbour Shopping Mall and Changsha Jinmao Mall of Splendor as well as the appreciation of investment properties.

PROPERTIES UNDER DEVELOPMENT

As at 31 December 2017, the current portion of properties under development comprised property development costs incurred by properties under development which have been pre-sold or are intended for sale and expected to be completed within one year from the end of the reporting period, whereas the non-current portion of properties under development comprised property development costs incurred by properties under development which have not yet been pre-sold and are expected to be completed after one year from the end of the reporting period.

Properties under development (current and non-current) increased from RMB42,920.6 million as at 31 December 2016 to RMB66,533.8 million as at 31 December 2017, mainly due to the Tianjin Haihe Jinmao Palace Project, Suzhou Science and Technology City Jinmao Palace Project and Chengdu Wuhou Jinmao Palace Project and the costs newly incurred from the projects under development during the Year, which were partially offset by the transfer as a result of the sale of units in projects including Beijing Yizhuang Jinmao Residence Project, Beijing Yizhuang Jinmao Noble Manor Project, Suzhou Gusu Jinmao Palace Project and Hangzhou Huanglong Jinmao Residence Project upon completion of construction.

INVESTMENTS IN JOINT VENTURES

The investments in joint ventures increased from RMB2,667.3 million as at 31 December 2016 to RMB2,994.1 million as at 31 December 2017, mainly attributable to the increase in investment in Nanjing Tangshan SOHO Spa & Wellness Town Project and Zhengzhou Beilonghu Jinmao Palace Project during 2017.

INVESTMENTS IN ASSOCIATES

The investments in associates increased from RMB2,708.7 million as at 31 December 2016 to RMB3,843.7 million as at 31 December 2017, mainly due to the increase in investment in Hangzhou Shoukai Jinmao Palace Project and Shanghai Liangcheng Guangyue Road Project during the Period under Review.

PROPERTIES HELD FOR SALE

The properties held for sale increased from RMB11,153.3 million as at 31 December 2016 to RMB11,772.5 million as at 31 December 2017, which was mainly due to some buildings of Beijing Yizhuang Jinmao Residence Project, Beijing Yizhuang Jinmao Noble Manor Project, Suzhou Gusu Jinmao Palace Project, Chongqing Konggang Project and Qingdao China-Europe International City Project that were completed but yet to be delivered in 2017, which were partially offset by the transfer as a result of the completion and delivery of Hangzhou Huanglong Jinmao Residence Project, Changsha Meixi Lake International Plaza Project and Changsha Jinmao Meixi Lake Project.

LAND UNDER DEVELOPMENT

The land under development (current and non-current) decreased from RMB17,226.2 million as at 31 December 2016 to RMB15,875.1 million as at 31 December 2017, mainly attributable to the transfer as a result of the revenue recognition of Changsha Meixi Lake International New City Project and the transfer as a result of the revenue recognition of Nanjing Qinglong Mountain International Ecological New City Project. Land under development included the land costs incurred by Changsha Meixi Lake International New City Project (including Changsha Meixi Lake Primary Development Project Phase I and Phase II as well as Changsha Meixi Lake Land Block A Primary Development Project) and Nanjing Qinglong Mountain International Ecological New City Project.

TRADE RECEIVABLES

As at 31 December 2017, trade receivables amounted to RMB919.9 million, representing a decrease of 86% from RMB6,446.5 million as at 31 December 2016, which was primarily attributable to the receipt of receivables from sales of Shanghai International Shipping Service Center Project in last year during the Year.

TRADE AND BILLS PAYABLES

As at 31 December 2017, trade and bills payables were RMB9,163.1 million, representing a decrease of 15% compared with RMB10,830.7 million as at 31 December 2016, which was mainly due to the Group's settlement and payment of part of the construction costs by end of the Year.

INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 31 December 2017, interest-bearing bank and other borrowings (including current and non-current) were RMB71,331.5 million, representing an increase of 49% over RMB47,924.8 million as at 31 December 2016. The increase in interest-bearing bank and other borrowings was primarily due to the increase in external loans used for new project development and issue of domestic medium-term notes and offshore senior notes.

GEARING RATIO

The Group monitors its capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings less other financial assets (financial products), restricted bank balances and cash and cash equivalents. Adjusted capital comprises all components of equity and the amounts due to the immediate holding company. The Group aims to maintain the net debt-to-adjusted capital ratio at a reasonable level. The net debt-to-adjusted capital ratio as at 31 December 2017 and 31 December 2016 were as follows:

	As at 31 December	
	2017	2016
	(RMB million)	(RMB million)
Interest-bearing bank and other borrowings (including current and non-current)	**71,331.5**	47,924.8
Less: cash and cash equivalents	**(19,406.6)**	(18,045.6)
restricted bank balances	**(3,235.2)**	(2,328.4)
other financial assets – financial products	**(6.0)**	(71.4)
Net debt	**48,683.7**	27,479.4
Total equity	**66,443.7**	55,744.1
Add: amounts due to immediate holding company	**3,945.7**	4,425.8
Adjusted capital	**70,389.4**	60,169.9
Net debt-to-adjusted capital ratio	**69%**	46%

LIQUIDITY AND CAPITAL RESOURCES

The Group's cash is primarily used to pay for capital expenditure, construction costs, land costs (principally the payment of land grant fees and relocation costs), infrastructure costs, consulting fees paid to architects and designers and finance costs, as well as the Group's indebtedness, amounts due to and loans from related parties, and fund working capital and normal recurring expenses. The Group has financed its liquidity requirements primarily through internal resources, bank and other borrowings, issue of perpetual convertible securities, issue of senior notes and medium-term notes, issue of perpetual capital securities, issue of domestic renewable corporate bonds and issue of new shares.

As at 31 December 2017, the Group had cash and cash equivalents of RMB19,406.6 million, mainly denominated in RMB, HK dollar and US dollar (as at 31 December 2016: RMB18,045.6 million).

As at 31 December 2017, the Group had total interest-bearing bank and other borrowings of RMB71,331.5 million (as at 31 December 2016: RMB47,924.8 million). An analysis of the interest-bearing bank and other borrowings of the Group is set out as follows:

	As at 31 December	
	2017	2016
	(RMB million)	(RMB million)
By term:		
Within 1 year	**27,826.6**	12,944.0
In the second year	**15,105.9**	10,783.2
In the third to fifth years, inclusive	**23,294.5**	17,783.0
Over five years	**5,104.5**	6,414.6
Total	**71,331.5**	47,924.8

Interest-bearing bank and other borrowings of approximately RMB27,826.6 million were repayable within one year and shown under current liabilities. All of the Group's borrowings are denominated in RMB, HK dollar and US dollar. As at 31 December 2017, save as interest-bearing bank and other borrowings of approximately RMB45,778.4 million that bore interest at fixed rates, other interest-bearing bank and other borrowings bore interest at floating rates. There is no material seasonal effect on the Group's borrowing requirements.

As at 31 December 2017, the Group had banking facilities of RMB95,778.4 million denominated in RMB, HK dollar and US dollar. The amount of banking facilities utilised was RMB51,237.6 million.

The Group's net cash inflow of RMB1,426.1 million for the year ended 31 December 2017 consisted of:

A net cash outflow of RMB24,693.1 million used in operating activities, which was mainly attributable to the payment of land and construction costs, selling and marketing expenses, administrative expenses and tax charge, and was partially offset by the proceeds derived from the sales of properties, property rental and revenue from hotel operations etc.

A net cash outflow of RMB15,518.8 million used in investing activities, which was mainly attributable to the investment expenditure, advances of loans to joint ventures and associates, loans to non-controlling shareholders and expenditure on construction of property, plant and equipment.

A net cash inflow of RMB41,638.0 million from financing activities, which was mainly attributable to the Group's issuance of domestic medium-term notes, issuance of perpetual capital securities, loans from non-controlling shareholders, contribution from non-controlling shareholders, new bank loans and other borrowings, advance of investment from a third party and was partially offset by repayments of bank and other borrowings, redemption of perpetual convertible securities, payment of interests, payment of dividends for 2016 and 2017 special interim dividend and payment of dividend to non-controlling shareholders.

PLEDGE OF ASSETS

As at 31 December 2017, the Group's interest-bearing bank and other borrowings were secured by the Group's property, plant and equipment of RMB322.7 million, properties under development of RMB25,829.5 million, properties held for sale of RMB3,023.5 million, land use rights of RMB160.3 million, interest in subsidiaries of RMB551.7 million, investment properties of RMB12,553.1 million and trade receivables of RMB23.5 million.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB19,203.4 million (2016: RMB18,978.1 million).

MARKET RISK

The Group's assets are predominantly in the form of land use rights, land under development, properties under development, properties held for sale and investment properties. In the event of a severe downturn in the property market in Mainland China, these assets may not be readily realised.

INTEREST RATE RISK

The Group is exposed to interest rate risk resulting from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. Increase in interest rates will increase the interest expenses relating to the Group's outstanding floating rate borrowings and increase the cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the Group's debt obligations. The Group does not currently use any derivative instruments to manage the interest rate risk.

FOREIGN EXCHANGE EXPOSURE RISK

Substantially all of the Group's revenue and costs are denominated in RMB. Since 2016, the Group has changed to report its financial results in RMB. The Group still has borrowings denominated in US dollars and HK dollars. As a result, the Group is exposed to the risk of fluctuations in foreign exchange rates. Starting from March 2017, the Group has engaged in hedging to manage its currency risk, which is expected to eliminate some of the impacts arising from exchange rate fluctuations on the Group. Taking into account the transaction amount under hedging activities and the unpredictability of market exchange rate fluctuations, the Group cannot assure that these future hedging activities will protect the Group from fluctuations in exchange rates.

Investor Relations

INVESTOR RELATIONS ACTIVITIES FOR 2017

January

Participated in the investor meeting held by Deutsche Bank in Beijing

Participated in the investor meeting held by Industrial Bank in Shanghai

March

Announced the annual report for 2016
– Held press conference
– Held analyst meeting

Carried out non-deal related roadshows in Hong Kong, Singapore, Beijing, Shanghai and Shenzhen

April

Participated in the investor meeting held by UBS in Hong Kong

Participated in the investor meeting held by HSBC in Hong Kong

Participated in the investor meeting held by Macquarie in Hong Kong

May

Participated in the investor meeting held by Deutsche Bank in Singapore

Participated in the investor meeting held by HSBC in Shenzhen

June

Participated in the investor meetings held by HSBC in the UK and US

Participated in the investor meeting held by JP Morgan in Beijing

Participated in the investor meeting held by Citibank in Hong Kong

Participated in the investor meeting held by Industrial Bank in Shanghai

Participated in the investor meeting held by First Shanghai in Shenzhen

July

Participated in the investor luncheon held by HSBC in Hong Kong

INVESTOR RELATIONS ACTIVITIES FOR 2017

August

Announced the interim report for 2017
– Held press conference
– Held analyst meeting

Carried out non-deal related roadshows in Hong Kong, Singapore, Beijing, Shanghai and Shenzhen

September

Participated in the investor meeting held by CITIC in Shanghai

Participated in the investor meeting held by Nomura Securities in Shanghai

Participated in the investor meeting held by First Shanghai in Shenzhen

October

Participated in the CEO Forum held by Citibank in Hong Kong

Participated in the investor meeting held by Guangfa in Shenzhen

Participated in the investor meeting held by Citibank in Macau

Carried out reverse roadshows in Beijing, Wuhan and Changsha

November

Carried out reverse roadshows in Beijing, Wuhan and Changsha

Participated in the investor meeting held by Bank of America Merrill Lynch in Beijing

Participated in the investor meeting held by Morgan Stanley in Singapore

Participated in the investor meeting held by Founder in Chengdu

Participated in the investor meeting held by Shenwan Hongyuan in Shanghai

Participated in the investor meeting held by Industrial Bank in Shanghai

December

Participated in the investor meeting held by Gelonghui in Beijing

Participated in the investor meeting held by Sinolink Securities in Shanghai

COMMUNICATION WITH SHAREHOLDERS

The Company considers that high-efficiency communication is a key factor for establishing sound interaction with its shareholders successfully. The Company has been committed to providing its existing and potential investors with accurate and timely information, and maintaining its communication with investors by various means, thereby enhancing the transparency of its information disclosure. The Company attaches great importance to the communications with shareholders and public investors to ensure them to have a good channel for voicing their opinions and advice on the Company's performance. At the same time, the Company may also explain the operation of projects and its development strategies.

The Company has constantly maintained a sound two-way communication with its shareholders, and provides information to shareholders mainly through the following channels:

- The Company's annual report, interim report and circulars – they are distributed to shareholders and investors, as well as analysts who are interested in the Company's performance pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules");
- Annual general meeting and extraordinary general meeting – the Directors and other senior management of the Company are present at the meeting, answering shareholders' inquiries and exchanging opinions with them;
- The Company's interim and annual results announcement conferences – the Company announces its interim and annual results and responds to the inquiries from investors and the media;
- Voluntary disclosure of the Company's information – the Company, through different means, including investor meetings, telephone interviews, press releases and media interviews etc., announces major issues of the Company to the market in a timely and compliant manner pursuant the Listing Rules and the "Guidelines on Disclosure of Inside Information", and responds to the inquiries from investors and analysts in a timely manner;
- Periodic meetings with institutional investors and securities analysts on a voluntary basis – the Company provides information on its latest business development to attract more attention from the market. The management of the Company regularly participates in global non-deal related roadshow activities held after the publication of annual reports and interim reports to respond to queries related to its corporate development strategies and market outlook. These measures provide overseas shareholders with an opportunity to discuss with the management of the Company;
- Organising site visits – based on the development progress of its projects, the Company organises on-site visits for investors and analysts to directly visit various projects of the Company as and when necessary, and enables them to communicate with the management, so as to enhance investors' understanding of the Company's development.

In 2017, the Company's management participated in various investor meetings held across the world and global non-deal related roadshows (including those in Hong Kong, Singapore and Mainland China), to broaden its communication with international, Hong Kong and Mainland China investors. The Company also organised reverse roadshows in Beijing, Wuhan and Changsha to build investors' confidence in the product quality and brand premium of the Company as well as to increase their understanding of the Company's position as a city operator. During the Year, the Company received over 100 investors and arranged over 100 investors to visit its projects in different places.

Investor Relations

FEEDBACK FROM INVESTORS

The Company considers investors' feedback highly important. During the Year, the Company conducted several summaries and analyses on opinions from investors and analysts to have an understanding of the effectiveness of its investor relations function in a timely manner. The Company will further improve the quality of communication based on the investors' feedback to facilitate better communication with investors and analysts in future.

MARKET RECOGNITION AND HONOURS

China Jinmao's 2016 annual report gained eight awards at the 31st International ARC Awards held in 2017, and three of them were gold prizes. It is worth noting that China Jinmao won one gold prize and one bronze prize in the election of "Awards for Overall Annual Report" among the fiercest competition, making it become the Hong Kong listed enterprise focusing on real estate that received the highest number of prizes and gold prizes for the year of 2016. This shows that the efforts made by the Company in investor relations and its information disclosure are widely recognised within the industry.

PROSPECTS OF OUR INVESTOR RELATIONS WORK

The Company will continue to progressively strengthen its efforts on investor relations to facilitate better communication with public investors and analysts. The Company is committed to ensuring the full compliance with the disclosure obligations under the Listing Rules and other applicable laws and regulations. In terms of compliance, we will continue to deliver to the investors all over the world the Company's latest information and enhance the Group's corporate governance standards and transparency in order to gain more trust and support from investors.

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The Group endeavours to become a leading city integrated developer and operator in China. Adhering to the mission of "Unleashing Future Vitality of the City", we put great efforts to integrate the concept of sustainable development into the operations and management of the enterprise to maximise the integrated value for the economy, society and environment. In 2017, leveraging on our outstanding performance in corporate social responsibilities, the Group earned the title of the "2017 PRC CSR Real Estate Enterprise of the Year" at the Boao Real Estate Forum; won the "Social Responsibility Award" at the China Corporate Social Responsibility Summit organised by China Business Journal; and was honoured the title of "Golden Bee Enterprise" at the 12th PRC Corporate Social Responsibility International Forum organised by China WTO Tribune.

The Company insists on conserving resources and enhancing resources utilisation while continuously strengthening energy management, launching energy saving reforms and promoting a green office. In strict compliance with the Environmental Protection Law of the People's Republic of China, Environmental Impact Assessment Law of the People's Republic of China and relevant environmental protection laws and regulations, the Company has carried out environmental impact assessment to reduce the impacts of construction and operations on the environment with a view to minimising environmental pollution. Its hotels, commercial and office portions have obtained water discharge and sewage discharge permits in accordance with the laws to ensure that the emission or discharge of pollutants including COD falls below the limit as stipulated under the laws and regulations. In addition, the Company has promulgated China Jinmao's Administrative Guidelines on Environmental Protection and strictly implemented the Guidelines on Dust Control at Construction Sites of Development Projects of China Jinmao and the Administrative Guidelines on Environmental Protection at Construction Sites of Development Projects of China Jinmao. The Company has taken management measures to tackle dust pollution, noise pollution and solid waste pollution that may arise from the construction projects, reduced the discharge or emission of general solid wastes including sewage, waste gases and construction wastes, and reused construction wastes such as concrete blocks. Moreover, upholding a green purchase policy, the Company endeavours to set up a comprehensive green purchase system which fully integrates the elements such as environmental protection, resources conservation, safety and health as well as low-carbon environment into the purchase process as well as drive the suppliers to raise the environmental management level and encourage suppliers to be more responsible so as to achieve fast and efficient purchase and a green environment.

CREATING EXCELLENT VALUE FOR SHAREHOLDERS

Insisting on the philosophy of "Pursuing Excellence" in striving for sales performance and backed by the cornerstones of trust and support from shareholders, we endeavour to strengthen our operational and management capabilities to enhance our economic benefits. In 2017, the Group was named the "Most Valuable Real Estate Enterprise of the Year".

Strengthening communication with investors. We step up our communication and exchange with stakeholders including investors and make complete and accurate information disclosure to investors locally and abroad in accordance with the laws to increase investors' awareness on and recognition of the Company. In 2017, the Group participated in a total of 27 investor meetings at home and abroad, and had 93 publications on the Hong Kong Stock Exchange including announcements, circulars and the interim report and the annual report.

Optimising financial management. The Group explores new financial channels and means to reduce finance costs, thus laying a solid foundation for its development. The Group again tapped into the hybrid capital instrument market of Asian enterprises and successfully issued US$500 million subordinated perpetual bonds by way of private equity. This marked the issuance with the lowest coupon and yield among all US dollar denominated perpetual bonds of the Group. The Group also expanded the domestic financing channels and successfully issued the first tranche of domestic medium-term notes on the domestic inter-bank market in China in 2017 and obtained the approval from China Securities Regulatory Commission to issue the first tranche of green corporate bonds within China.

Pushing ahead comprehensive risk management. The Group attaches great importance to risk management and continue to improve the risk management system, which comprehensively identifies the risks that are likely to be faced by various business segments. Targeted measures are also taken to manage key risks. Trainings on law and compliance have been organised to strengthen the employees' awareness on risk prevention and enhance their risk management capabilities with a rate of 100% of the contracts reviewed by legal specialists. No material risk event has been identified.

Preventing bribery and corruption. The Group puts bribery and corruption prevention into its daily operations and management and has in place sound preventive measures and reporting channels with a view to creating and consolidating a clean and righteous political atmosphere and work environment. The Group has taken a top-down approach in carrying out clean risk identification activities, entered into letters of responsibility and undertaking in relation to clean culture development on a hierarchical basis. Through organising intensive training, exchanges and seminars, the Group endeavours to enhance the professionalism and work capabilities of our disciplinary inspection team. In 2017, no event of corruption was identified.

BUILDING THE GOLD QUALITY FOR OUR CUSTOMERS

Adhering to the service principle that "customer's demand is our pursuit", the Group strives to enhance the quality of products, build a featured customer service system and enhance the customer satisfaction level. In 2017, the Group was ranked the "No. 1 City Operator in China".

Guaranteeing product quality. The Group has comprehensively launched the quality control 1234 strategy to strengthen the three-tier quality control mechanism at the headquarters-regional-project level and to enhance the whole-process quality control system which fully covers the whole-life cycle of products to strictly control the quality of the products, enhance customer satisfaction, and consolidate its image as a quality property developer providing "exquisite quality, green health and smart technology" services. In 2017, the Group pushed ahead the "rock campaign" and published the Standard Manual on Project Quality Control to set up a refined management system on project quality. The average score for actual measurement of projects reached 94.5 points.

Innovating service experience. The Group promotes product innovation driven by city development and customers' demand. At the same time, the Group takes into account the city culture and blend the elements of humanistic solicitude into every aspect of its products. Upholding the service principle of the "Five Virtues of the Neighbourhood", namely "Smooth operation of facilities; well-maintained and orderly environment; sound property management with timely response, friendly neighbourhood and mutual respect with transparent rights", coupled with the achievements of smart and hi-tech management, the Group provides customers with a high quality residential experience through ongoing management optimisation and service upgrade. In 2017, the Group won the title of the "2017 PRC Outstanding Enterprise for Office Property Management". Jinmao Decoration received the supreme honour of the construction and renovation industry in China – National Quality Engineering Award.

Strengthening communication with customers. The Group places high emphasis on customer communication and relationship management, and endeavours to improve the customer feedback mechanism. While building the featured customer relationship management system "based on customer culture, industry benchmark, standard implementation and innovation practice", its customer satisfaction level is leading among its peers. "China Jinmao Standards on Customers 360 Degrees Review System" has been published to improve the customer review system. The Group continues to strengthen China Jinmao brand IP – "China Jinmao Charity" (金宴中國) and facilitates the dual communication among landlords and between Jinmao and landlords. The Group has developed its own customer service system and built a customer relationship and data platform with effective preventive measures in place to protect the privacy of customers' data. The Group has introduced a standardised customer service hotline across the nation which timely and properly handles each customer complaint and requests feedbacks on rectification to ensure the quality and efficiency of the rectification.

CONTRIBUTING A CULTURE OF GREEN FOR OUR ENVIRONMENT

Upholding the green strategy, the Group implements the concepts of green building across the whole industry chain from "planning, design, technology, construction to operation". The Group organises public welfare events to disseminate the message of a green environment and to join hands with other stakeholders in building a beautiful China. In 2017, the Group invested RMB10.80 million in environmental protection. The Group was ranked third in terms of green building, second in terms of green operations and first in terms of central (state-owned) enterprise of green building across the real estate industry. Mr. LI Congrui, the chief executive officer of the Group, was titled among the "Top 10 Figures of Green Power Driver".

Developing green buildings. Starting with the whole-life cycle of buildings, the Group implements a green design, promotes green construction, carries out green operations and builds a green supply chain. Introducing the internationally advanced scientific research management system, the Group has set up a complete R&D value management system with focus on areas of R&D and innovation such as smart energy and real estate technologies. In 2017, 25 projects of the Group obtained cumulatively 27 green building certifications. Shanghai Daning Jinmao Palace won the second prize of the 2017 National Green Building Innovation Award and was named among the CIHAF Top 10 Green Projects of the Year.

Promoting the development of eco-city. Respecting the city functions, eco-environment and humanistic solicitude while in pursuit of harmony between architecture and man, city and the environment, the Group endeavours to build an eco-city in line with international standards with Chinese characteristics. The Group joined hands with Shanghai Research Institute of Building Sciences Group to set up a system of eco-city building indicators for China Jinmao. The Group also entered into a strategic agreement with the Technology Development Promotion Centre of the Ministry of Housing and Urban-Rural Development to kick off the "green eco-city planning, construction and research" project and jointly edited the "State's Key Topics regarding Green Building Planning under the 13th Five-Year Plans: Technical Guidelines on the Planning and Construction of Green Eco-Cities". The Group attended the China Corner Meeting of the United Nations Climate Change Conference on behalf of the PRC real estate sector to share its practices of carbon market trades and "carbon neutral" in China. The Group delivered a speech at the 13th Conference on Green Building in China and organised the sub-forum on "Natural ecocity operations and practices".

Exploring the model of "zero carbon" city operations. The Group endeavours to optimise the operating model, regulate the management of facilities and strengthen management foresight as part of its proactive efforts to explore the development of a "zero carbon" city and contribute to ecological civilisation. The Group worked with more than 80 entities including China Beijing Environment Exchange and Xiangjiang New District Management Committee in Hunan to form the Changsha Meixi Lake Carbon Neutral Alliance, which will share their milestone development achievements and latest updates, and jointly promote the low-carbon concept and technology applications. The Group purchased the Chinese Certified Emission Reduction (CCER) of the wind power project in Nanshan, Chengbu, Hunan to offset the carbon emissions produced in the operations and management of Changsha Meixi Lake International New City's "Mall of Splendor, Meixi Lake Hotel, A Luxury Collection Hotel, Changsha, Jinmao Palace, Jinmao Residence, and Jinmao Meixi Lake", making it the first city operation project to achieve carbon neutral.

Carrying out environmental protection activities. The Group takes a proactive approach in building a green culture and carrying out environmental protection and public welfare activities while disseminating the concepts of green environment and healthy living as part of the efforts to encourage public participation in and support of environmental protection and public welfare projects. "Run Green China Challenge Q4", which covers 17 cities across the nation was organised to promote the "green, healthy and go beyond yourself" living style to the public while making use of the innovative format of "online running". The Group also joined hands with Changsha Jinmao Public Welfare Education Foundation to organise the Q2 "Jinmao in Campus" tree planting welfare event, inviting landlords of Jinmao together with thousands of teachers, students, parents and volunteers to add green to the city.

FACILITATING A WIN-WIN PATH FOR OUR PARTNERS

Sticking to the principle of "win-win cooperation", the Group strengthens its relationship with partners to benefit from resources sharing and co-develop with them in creating value to achieve sustainable development on a win-win basis.

Strengthening win-win cooperation. Centering around the three segments of "big health, big education and big technology", the Group has taken the initiative to build a worldwide resource-based industry cluster platform, which covers a myriad of resources including headquarters, healthcare, finance, culture & tourism, overseas education and green technology. In 2017, the Group entered into an agreement on project cooperation with a French brand, Vichy to jointly develop the spa & wellness industry by capitalising on the resources and professional expertise of the parties. Jinmao Hotel and Chongfu EJ also entered into a cooperation agreement to establish presence in the apartments market.

Facilitating industry growth. The Group actively participates in formulating the industry standards and regulations as well as organises, co-organises or attends industry seminars as part of its efforts to contribute to the policy-making for industry development. The Group attended the 13th Conference on Green and Energy-Efficient Building in China & New Technologies and Products Expo and organised the sub-forum on "Natural ecocity operations and practices", acting as role model for other real estate developers in China. The Group also integrated its own abundant industry resources and organised the "Forum on Meixi Lake Medical and Healthcare Industry International Cooperation", inviting key figures in the healthcare industry in the mainland and abroad to Changsha to exchange their views on the Meixi Lake project, which facilitated the development of the medical and healthcare industry in Xiangjiang New District.

Enhancing suppliers' performance accountability. The Group strives to improve the supplier management system adhering to the strategic positioning as city operator. The Group organised the 2017 global supplier conference on the "Spirit of craftsmanship in creating a win-win future" to disseminate the development strategies and concepts to partnering suppliers. Evaluation of the suppliers' fulfilment of responsibilities is carried out regularly to enhance their sustainability. The Group encourages suppliers to make a donation under "China Jinmao Mobile Library" campaign which penetrates into Hongyuan county in Aba prefecture, Sichuan to give supplies to targeted schools namely Cha'erma Township Primary School, Jiangrong Township Primary School and Longri Township Primary School, providing children with books, warm clothes and etc.

Corporate
Social Responsibilities

BUILDING A HAPPY HOME FOR EMPLOYEES

With adherence to the philosophy of "creation, sharing and growth together", the Group considers its employees as the most valuable asset and strives to protect their legal interests. The Group takes a proactive approach toward employee welfare with a focus on occupational health and safety, while building a career development platform for the employees. The Group respects and cares for the work and living of its employees. As at the end of 2017, the Group had 9,149 employees.

Safeguarding employees' interest. To safeguard the legal interest of its employees, the Group improves its democratic management mechanism. The Group adheres to the principle of equal employment to build a harmonic employer-employee relationship. Labour contract rate is 100%. The Group purchases social insurance for all of its employees and provides supplementary business group medical insurance for its employees and their children aged under 21. The democratic management and democratic supervision system is based on employee representative meetings. The Group improves its disclosure system for corporate matters to increase the transparency of corporate matters, follow up and respond to employees' demands. The Group hosts the general manager open day. The union establishment rate at the Group's headquarters and its subsidiaries is 100% and the membership rate is 100%.

Protecting employee benefits. The Group improves the remuneration packages and strengthens the interaction between remuneration and work performance. The remuneration system comprises mainly basic salary, as supplemented by various forms of allocation and a mid- to long-term incentive mechanism. The Group also improves the mechanisms linking employees' revenue and position as well as individual contribution and corporate earnings in an effort to comprehensively stimulate the employees' work motivation and initiatives. As for the improvement in welfare system, in addition to various basic social security benefits, the Group provides a variety of employee benefits including corporate annuity and supplementary medical insurance to safeguard the work and life of employees from multiple perspectives.

Strengthening employees' production safety. In addition to optimising the health, safety and environment ("HSE") management system and organisation system, the Group focused on the work group potential safety hazard events to carry out its large-scale building safety campaign. To strengthen the employee training on production safety, the Group launches the occupational health and safety promotion week, production safety month and fire control safety promotion week to increase the employees' production safety capabilities and awareness. In 2017, The Westin Beijing Chaoyang was named the "Advanced Collective of Construction for Civil Defence for National Security" by the Ministry of State Security. "Safe Jinmao" online application was launched to promote check and balance on potential safety hazards through taking photos of potential safety hazards with mobile phones, tracking, rectification and etc. 76,360 employees participated in the HSE training and the total number of training hours amounted to 135,896 hours.

Facilitating employees' growth. The Group has built a training platform to provide a variety of trainings and growth opportunities for its employees. While enriching the content and format of training, the Group strives to develop featured training projects to enhance employees' quality and skills. Throughout the Year, the number of average training hours per employee was 23.4 hours. The Group has strengthened the "management-profession" dual channels talent development system by introducing talent hierarchical orders where 375 employees have passed the profession orders and been promoted. Other contests of China Jinmao including the youth English contest, innovation contest and safety speech contest were held to stimulate young employees' awareness on innovation and creativity.

Caring for the happiness of employees. To enrich the leisure life of employees and stimulate their vitality, the Group cares for its employees in a personalised way. While carrying out the 10th anniversary celebration events, China Jinmao endeavoured to increase the employees' cohesion and participation through "a dinner, a collection of works, a cartoon and a song". Four ball game associations and two fitness clubs have been established. With the "Home of Youth Innovation", the Group encourages young employees to think creatively and selectively promote the implementation of innovative projects. The "Home of employees" offers a warm, comfortable and leisure environment to employees. Targeted care for employees is launched where the contents of employees' care are included in the preparation of the political work system. The Group provides a half-day body check paid leave for employees and introduces a wide range of cultural and sports activities. During the Year, the Group organised seven staff festive activities. An assistance system is in place for distressed employees.

DELIVERING BOUNDLESS LOVE FOR OUR COMMUNITY

As a central enterprise, the Group regards public welfare as a "must-do" social responsibility. Adhering to the mission of "alleviating poverty, actively participating in charity and building a harmonious community", the Group takes practical actions to promote social welfare service as part of its efforts in fulfilling corporate social responsibilities. In 2017, the Group organised 53 charity events as part of its active efforts of community involvement.

Promoting the systemic development of public welfare management. While promoting the systematic development of public welfare management, the Group endeavours to refine the system by setting up charity foundations, working with other foundations and forming volunteer service teams to build a charitable brand which carries the same development principles as the Company. Centering around the big health strategy, the Group carries out charity events in relation to the healthcare industry. Centering around the big culture strategy, the Group provides public welfare and cultural service to the deprived regions and the community. Centering around the big technology strategy, the Group integrates technology resources to provide public service to the community.

Focusing on targeted poverty alleviation. Sticking to the primary themes of "targeted poverty alleviation" and "poverty alleviation via education", charity projects such as "Southwest Charity Walk" and "Mobile Library" have been gradually introduced. The Group continued to launch the "Southwest Charity Walk – Jinmao Mobile Library" public welfare activities. In 2017, the Group has invested in the construction of 15 mobile libraries covering eight provinces. The Group provided targeted education assistance to Tibet, Qinghai and Inner Mongolia and timely organised fundraising events for the disaster-stricken areas. Cumulative donations amounted to RMB6,766,000.

Giving back to the community. The Group actively participates in community projects such as low-income housing construction, redevelopment of old buildings and infrastructural facilities development, and organises charitable events to improve the living conditions and to build a harmonious environment in the community. The Group cares for the underprivileged and integrates charity events into cultural development. For instance, Jin Mao (Shanghai) and Jinmao Hotel organised a tour to Jin Mao Tower for the orphan children. Jin Mao (Shanghai) made a donation to Shanghai Charity Foundation to help children with autism. Jinmao Changsha also made charitable donations to special schools. China Jinmao provided a range of services including health checks, community doctors and home support for the elderly in the pilot elderly centre in Changsha, and endeavoured to build a friendly elderly neighbourhood in an effort to build a beautiful community with its dedicated services.

Profile of
Directors and Senior Management

Mr. NING Gaoning
Chairman and
Non-executive Director

Mr. NING, who was born in November 1958, joined the Company in May 2016 as Chairman and Non-executive Director. Mr. Ning is currently a standing committee member of the 13th National Committee of the Chinese People's Political Consultative Conference. Mr. NING joined Sinochem Group Co., Ltd. in January 2016, and currently serves as the chairman of the board of directors of Sinochem Group Co., Ltd., Sinochem Corporation and Sinochem Hong Kong (Group) Co., Ltd. He also serves as the chairman of the board of directors of Far East Horizon Limited (stock code: 03360). Mr. NING served as the chairman of the board of directors of Sinofert Holdings Limited (stock code: 00297) from March 2016 to December 2016. From October 1986 to December 2004, Mr. NING held various senior positions in China Resources (Holdings) Co., Ltd., including business manager and deputy general manager of enterprise development department, director and deputy general manager and vice chairman and general manager. Mr. NING served as the chairman of the board of directors of COFCO Corporation and a director of certain of its subsidiaries from December 2004 to January 2016. Mr. NING held various positions such as chairman of the board of directors of China Mengniu Dairy Company Limited (stock code: 02319) and a non-executive director of China Foods Limited (stock code: 00506), China Agri-Industries Holdings Limited (stock code: 00606) and CPMC Holdings Limited (stock code: 00906) until February 2016. In addition, Mr. NING also served as an executive director of China Foods Limited until November 2013. Mr. NING was also an independent director of Huayuan Property Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code: 600743) until November 2014 and an independent non-executive director of BOC Hong Kong (Holdings) Limited (stock code: 02388) until October 2014. Mr. NING has nearly 30 years' experience in real estate development and investment, business management, capital market and discipline inspection and internal control. Mr. NING graduated from Shandong University in China with a bachelor's degree in Politics and Economics in 1983 and graduated from University of Pittsburgh in the United States with a master's degree in Business Administration in 1986. He was awarded the title of economist and senior international business engineer in 1987 and 2007, respectively. Mr. NING was a member of the 18th Central Commission for Discipline Inspection of the Communist Party of China (CPC). Currently, Mr. NING is a member of the "13th Five-Year Plan" National Development Planning Expert Panel, co-chairman of APEC Business Advisory Council (ABAC), chairman of APEC China Business Council, and an executive director of the International Chamber of Commerce (ICC). Mr. NING was awarded "CCTV China Economic Person of the Year" for three times, China's "Annual Top 25 Most Influential Business Leader Awards" by China Entrepreneur for 10 consecutive years, "China's Most Influential Business Leaders" by Fortune, "Asia Business Leader" Awards" by CNBC, and "Asian Corporate Director" by Corporate Governance Asia. From 2007 to present, Mr. NING has been a delegate of the 17th, 18th and 19th National Congress of the CPC respectively.

Profile of
Directors and Senior Management

Mr. LI Congrui
Executive Director and
Chief Executive Officer

Mr. YANG Lin
Non-executive Director

Mr. LI, who was born in March 1971, joined the Company in April 2009 as the vice president. Mr. LI has been serving as an executive Director of the Company since June 2011 and an executive Director and the Chief Executive Officer of the Company since January 2013. Mr. LI also holds positions in a number of subsidiaries of the Company. He has been serving as a non-executive director of Jinmao (China) Hotel Investments and Management Limited (stock code:06139) and Jinmao (China) Investments Manager Limited since March 2014, and has been the chairman of the board of directors since April 2016. Mr. LI also has been serving as the chairman of the board of directors of Sinochem Franshion Properties (Beijing) Co., Ltd. and Jinmao Investment (Changsha) Co., Ltd., and an executive director of Jinmao Investment Management (Shanghai) Co., Ltd. Mr. LI joined Sinochem Group Co., Ltd. in 1997, and had held various senior management positions in Shanghai Orient Terminal Co., Ltd. and Sinochem International Industrial Corp. From 2003 and prior to joining the Company, Mr. LI was a director and the general manager of Zhoushan State Oil Reserve Base Company Limited. Mr. LI has over 20 years of experience in strategy management, corporate governance, organisational construction, appraisal and analysis on project investment, project management and large project construction. Mr. LI obtained a bachelor's degree in Petroleum Geology and Exploration from the Petroleum Department of China University of Geosciences (Wuhan) in 1994. He earned a master's degree in Petroleum Development from the Research Institute of Petroleum Exploration & Development in 1997 and an Executive Master of Business Administration degree from China Europe International Business School (CEIBS) in 2007.

Mr. YANG, who was born in January 1964, joined the Company in February 2014 as a non-executive Director. Mr. YANG joined Sinochem Group Co., Ltd. in 1994 and had held various positions, including deputy general manager of the finance and accounting department, general manager of the finance department, deputy general manager of the investment and development department, general manager of the fund management department, deputy chief accountant of Sinochem Group Co., Ltd., and deputy chief financial officer of Sinochem Corporation. Mr. YANG is currently the chief accountant of Sinochem Group Co., Ltd. and the chief financial officer of Sinochem Corporation. He also holds directorships and senior management positions in various subsidiaries and/or affiliates of Sinochem Group Co., Ltd. Mr. YANG was a supervisor of China State Construction Engineering Corporation Limited, a company listed on the Shanghai Stock Exchange with stock code: 601668, from 2007 to 2010. Since October 2009, Mr. YANG has been a non-executive director of Far East Horizon Limited (of which Sinochem Group Co., Ltd. is a substantial shareholder with stock code: 03360). Mr. YANG has been a director of Sinochem International Corporation, a subsidiary of Sinochem Group Co., Ltd. listed on the Shanghai Stock Exchange (stock code: 600500) since June 2010. Mr. YANG has been a non-executive director of Sinofert Holdings Limited (stock code: 00297), a subsidiary of Sinochem Group since August 2010. Mr. YANG has over 20 years' experience in fund management. Mr. YANG worked at Siemens AG and Wella AG from 1993 to 1994. Mr. YANG graduated from Tianjin University of Commerce with a bachelor's degree in Commercial Enterprise Management in 1985. He pursued a study of enterprise management courses in University of Stuttgart in Germany from 1990 to 1993.

Mr. JIANG Nan
Executive Director and
Chief Financial Officer

Mr. SONG Liuyi
Executive Director and
Senior Vice President

Mr. JIANG, who was born in April 1973, joined the Company in January 2006 as the Chief Financial Officer of the Company and has been involved in the day-to-day management of the Company since then. Mr. JIANG served as an executive Director of the Company from 2007 to 2011, and has been an executive Director of the Company since August 2015. Mr. JIANG also holds positions in a number of subsidiaries of the Company and has been a non-executive director of Jinmao (China) Hotel Investments and Management Limited and Jinmao (China) Investments Manager Limited since March 2014. He is in charge of the direction and management of the Company's accounting and finance, capital market, investor relations and budget assessment. He joined Sinochem Group Co., Ltd. in August 1995 and worked in the finance department of Sinochem Group Co., Ltd. from 1995 to 2002. He was the Treasurer of Sinochem Hong Kong from August 2002 to January 2006, responsible for handling the financial management and investment projects, and the operation of overseas funds of Sinochem Group Co., Ltd. Mr. JIANG has over 20 years of experience in corporate finance and accounting management. Mr. JIANG earned a bachelor's degree in finance from China Institute of Finance in 1995 and a master's degree in finance from Central University of Finance and Economics in 2003. He obtained the Accounting Qualification Certificate in 1999 and is now a member of the Association of International Accountants (AIA).

Mr. SONG, who was born in November 1975, joined the Company as the assistant to the president of the Company in May 2011 and became the vice president of the Company in January 2013. He has been serving as the senior vice president of the Company since March 2017, and has been an executive Director of the Company since August 2017. Currently, Mr. SONG also serves as a chairman, director and general manager of a number of subsidiaries of the Company, including Sinochem Franshion Properties (Beijing) Co., Ltd., Beijing Franshion Yicheng Properties Company Limited and Qingdao Jinmao Properties Company Limited. Mr. SONG joined Sinochem Group Co., Ltd. in 2001 and worked at the investment business department of Sinochem International Corporation, the investment department and general office of Sinochem Group Co., Ltd. Mr. SONG has nearly 20 years of experience in project investment, real estate development and corporate management. Mr. SONG obtained a bachelor's degree in high polymer materials and processing from the Beijing Institute of Technology in 1998 and a master's degree in materials from the Beijing Institute of Technology in 2001.

Mr. LAU Hon Chuen, Ambrose
Independent non-executive Director, G.B.S., J.P.

Mr. SU Xijia
Independent non-executive Director

Mr. LAU, who was born in July 1947, has been an independent non-executive Director of the Company since March 2007. He is a senior partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr. LAU was a standing committee member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. He is also a Justice of the Peace. In 2001, Mr. LAU was awarded the "Gold Bauhinia Star" by the Hong Kong Government. Mr. LAU is currently an independent non-executive director of the following listed companies: Brightoil Petroleum (Holdings) Limited (stock code: 00933), Glorious Sun Enterprises Ltd. (stock code: 00393), Yuexiu Property Co., Ltd. (stock code: 00123), Yuexiu Transport Infrastructure Limited (stock code: 01052), Joy City Property Limited (formerly known as The Hong Kong Parkview Group Ltd., (stock code: 00207) and The People's Insurance Company (Group) of China Limited (stock code: 01339). He is also a director of OCBC Wing Hang Bank Ltd., OCBC Wing Hang Bank (China) Limited, Bank of China Group Insurance Co., Ltd., BOC Group Life Assurance Co., Ltd., Nanyang Commercial Bank, Ltd., Cinda Financial Holdings Co., Limited, Chu & Lau Nominees Ltd., Sun Hon Investment & Finance Ltd., Wydoff Ltd., Wytex Ltd., Wyman Investments Limited, Trillions Profit Nominees & Secretarial Services Limited, Helicoin Limited and Polex Limited. Mr. LAU also served as the chairman of the Central and Western District Board between 1988 and 1994, the president of the Law Society of Hong Kong from 1992 to 1993, a member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). Mr. LAU obtained a Bachelor of Laws degree from the University of London in 1969. He is a solicitor of the High Court of Hong Kong, an attesting officer appointed by Ministry of Justice, the PRC and a notary public.

Mr. SU, who was born in September 1954, has been an independent non-executive Director of the Company since March 2007. He was an assistant professor in 1996 and subsequently an associate professor in the Department of Accountancy of City University of Hong Kong. He has joined China Europe International Business School (CEIBS) since July 2010 as a professor of accounting. His research focuses on corporate governance and auditing practices of the PRC listed companies. He has also been appointed as the special researcher by the CICPA since 2005. He has given lectures at the China Securities Regulatory Commission, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, major commercial banks and various universities in China. He was an independent director of Shenzhen SEG Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000058) from 2002 to 2008 and an independent director of Shenzhen Topray Solar Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002218) from 2007 to 2010, respectively. He was an independent director of World Union Property Consultancy (China) Limited (a company listed on the Shenzhen Stock Exchange, stock code: 002285) from 2007 to 2013, and an independent director of Huazhong In-vehicle Holdings Company Limited (stock code: 06830) from 2011 to 2013. From 2010 to 2016, he served as an independent director of Sundy Land Investment Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600077). From 2011 to 2017, he served as an independent director of Shenzhen Ellassay Fashion Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603808) and from 2014 to 2017, he served as a non-executive director of Jiangsu Changbao Steel Tube Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002478). Mr. SU has over 20 years of experience in corporate governance and accounting practice. Mr. SU earned a bachelor's degree in Accounting from Xiamen University in 1982. He obtained his PhD degree from Concordia University of Canada in 1996.

Mr. GAO Shibin
Independent Non-executive Director

Mr. AN Hongjun
Non-executive Director

Mr. GAO, who was born in March 1964, has been an independent non-executive Director of the Company since November 2015. Mr. GAO served as an independent non-executive Director of the Company from July 2007 to June 2011. He is concurrently a member of the North Asia Commercial Properties Professional Committee of the Royal Institution of Chartered Surveyors. Mr. GAO worked for the Jones Lang LaSalle Beijing from April 2003 to May 2008 and was a national director before departure. He served as the managing director for China of Standard Chartered Asia Real Estate Fund Management Company from June 2008 to September 2009. He was the managing director of Tishman Speyer Properties and the general manager of its Beijing branch from October 2009 to October 2015. Mr. GAO worked as a project manager, a senior business manager and a senior investment manager for several investment and project management companies in the UK, Hong Kong and Canada between 1996 and 2003. Mr. GAO has over 20 years of experience in real estate development and investment, real estate finance and asset management. Mr. GAO obtained a bachelor's degree in Civil Engineering and a master's degree in Building Economics and Management from Tsinghua University in 1987 and 1989, respectively. He obtained his PhD degree in Property Development and Management from the University of Manchester in the UK in 1998. Mr. GAO is a member of the Royal Institution of Chartered Surveyors and an assessor of this institution membership qualification.

Mr. AN, who was born in July 1975, has been a non-executive Director of the Company since November 2015. Mr. AN joined New China Asset Management Corporation Limited in May 2010 and served successively as the deputy general manager of the project investment department (in charge of daily operations) and the general manager of the international business department. He has been an executive director and the president of New China Asset Management (Hong Kong) Limited since April 2013. Prior to joining New China Asset Management Corporation Limited, Mr. AN had held various positions, including project manager, macro researcher and research analyst, in Northeast Securities Co., Ltd., The People's Insurance Company (Group) of China Limited and China Life Franklin Asset Management Company Limited. Mr. AN has over 15 years' practical experience in securities, insurance and investment sectors, and has mastered a general knowledge in macroeconomic, securities investment and real estate industries, and developed an in-depth study in corporate governance, development strategy, etc. Mr. AN obtained his bachelor's degree in Economics at Jilin University in 1998, and the master's degree in Economics at Jilin University in 2002, and then the doctor's degree in Economics at Jilin University in 2006. Mr. AN obtained the Securities Practitioner Qualification Certificate issued by the Securities Association of China and the license to carry on businesses including advising on securities and asset management granted by Securities and Futures Commission of Hong Kong.

Profile of
Directors and Senior Management

Mr. ZHANG Hui
Senior Vice President

Ms. LAN Haiqing
Senior Vice President

Mr. ZHANG, who was born in October 1970, has been a vice president of the Company since January 2010. From March 2014 to October 2017, he was re-designated as the chief executive officer and executive director of Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited (stock code: 06139) and Jinmao (China) Investments Manager Limited, and he has been re-designated as a non-executive director of these companies since October 2017. Mr. ZHANG has served as the senior vice president of the Company since October 2017. Mr. ZHANG is currently an executive director of a number of subsidiaries of the Company including Chongqing Maoxiu Properties Co., Ltd. and Jin Mao (Lijiang) Properties Co., Ltd. Mr. ZHANG joined Sinochem Group in 2002 and held a number of senior positions including general manager of Shanghai Orient Terminal Co., Ltd. Before joining Sinochem Group Co., Ltd., he worked at Shanghai Offshore Petroleum Bureau of China Petrochemical Corporation from 1995 to 2002. Mr. ZHANG has approximately 20 years of experience in large-scale project development and management, project investment planning and corporate governance. Mr. ZHANG graduated from China University of Geosciences (Wuhan) with a bachelor's degree in oil and gas reservoir engineering in June 1995 and obtained a master's degree in business administration from China Europe International Business School in September 2008. He obtained the Professional Certificate of Specialty and Technology and was awarded with the title of senior economist in December 2011. He was a delegate in the 14th Session of the Shanghai Municipal People's Congress.

Ms. LAN, who was born in July 1966, has been a vice president of the Company since December 2007 and a senior vice president of the Company since March 2017. Ms. LAN successively served as the deputy general manager and general manager of Sinochem Qingdao Golden Beach Hotel from May 1997 to March 2002, the general manager and chairman of Wangfujing Hotel Management Co., Ltd. between March 2002 and December 2007. She has been a non-executive director of Jinmao (China) Hotel Investments and Management Limited and Jinmao (China) Investments Manager Limited since April 2016. She is currently a director of many subsidiaries of the Company including Sinochem Franshion Properties (Beijing) Co., Ltd., Jinmao Investment (Changsha) Co., Ltd., Changsha Jinmao City Construction Limited and Guangzhou Xingtuo Properties Limited. Ms. LAN has over 20 years of hotel management experience and has accumulated extensive experience in the appraisal and analysis of investments, product positioning and project operational management of real estate complex projects. Ms. LAN graduated from Ocean University of China in 1988, obtained an executive master's degree in Business Administration from Shandong University in 1998, and obtained a master's degree from Les Roches School of Hospitality Management in Switzerland in June 2000.

Profile of
Directors and Senior Management

Mr. WEN Xiong
Senior Vice President

Mr. TAO Tianhai
Senior Vice President

Mr. WEN, who was born in July 1969, has been a vice president of the Company since July 2014 and a senior vice president of the Company since March 2017. Mr. WEN is currently the chairman, executive director and general manager of many subsidiaries of the Company including Changsha Franshion Shengrong Properties Limited and Changsha Jinmao City Construction Limited. Mr. WEN served as the Party committee member and deputy director of Changsha Municipal Bureau of Land and Resources from August 2003 to July 2014. He concurrently worked at the Management Committee of Changsha Former Dahexi Pilot Zone as Party working committee member and head of the state planning department from June 2008 to July 2014. Mr. WEN has more than 15 years of experience in land consolidation, planning, development and management. Mr. WEN obtained a bachelor's degree in Logic from the Faculty of Philosophy of Nankai University in July 1991, a master's degree in Law from Hunan Normal University in June 2002 and a doctor's degree in Management from Hunan Agricultural University in June 2011.

Mr. TAO, who was born in October 1975, has been a vice president of the Company since January 2017 and a senior vice president of the Company since October 2017. Upon joining China Jin Mao (Group) Co., Ltd. in July 2000, Mr. TAO has served as the manager of planning management at the corporate planning department and the general manager of the strategic planning department. He successively served as the general manager of the strategic operations department, general manager of the cost contracting department and assistant to the president of the Company from October 2009. Mr. TAO currently serves as an executive director and chairman of a number of subsidiaries of the Company, including Jinmao (Shanghai) Real Estate Co., Ltd., Franshion Properties (Hangzhou) Co., Ltd., Franshion Properties (Ningbo) Co., Ltd. and Franshion Properties (Suzhou) Co., Ltd. Mr. TAO has more than 15 years of experience in hotel and real estate development and management, and accumulated extensive practical experience in areas of enterprises management, strategic management, operations management, etc. Mr. TAO obtained a bachelor's degree in Information Management from Northeast Normal University in July 1997 and a master's degree in Economics from Fudan University in July 2000.

Profile of
Directors and Senior Management

Mr. WEI Zhe
Senior Vice President

Mr. LIAO Chi Chiun
Company Secretary

Mr. WEI, who was born in June 1970, has been a vice president of the Company since January 2017 and a senior vice president of the Company since October 2017. Upon joining the Company in October 2013, he served as an assistant to the president of the Company. He is currently the chairman, executive director and general manager of a number of subsidiaries of the Company, including Guangzhou Jinmao Properties Co., Ltd., Foshan Maoxing Property Development Co., Ltd. and Shenzhen Yuemao Properties Co., Ltd.. Mr. WEI began his work career in July 1991. He was the deputy secretary of the Youth League General Branch of the Design Review Office of Shaanxi Provincial Planning Commission from July 1991 to May 1995. He worked at China State Construction Engineering Corporation Limited from May 1995 to October 2013, during which he served as the architectural designer and person-in-charge of project design of China Construction Northwest Design & Research Institute, senior architect of the planning and design centre of China Overseas Property Group Co., Ltd., director and deputy chief architect of China Overseas Property (Xi'an) Co., Ltd., deputy director of design of China Overseas Property Group Co., Ltd. (North China), and director and design director of China Overseas Property Chongqing Co., Ltd. He served as the general manager of China State Construction Land, Changsha Branch and general manager of Changsha CSC Investment Co., Ltd. from July 2011 to October 2013. Mr. WEI is a Grade-1 registered architect and has accumulated more than 20 years of extensive experience in design and real estate project development and management. Mr. WEI obtained a bachelor's degree in Architecture from Northwestern Institute of Architectural Engineering in July 1991.

Mr. LIAO, who was born in January 1968, has been the Chief Accountant, Qualified Accountant and Company Secretary of the Company since March 2007. Prior to joining the Company, he served as an accountant of S E A Holdings Ltd between 1997 and 2006. He has over 20 years of experience in Hong Kong and PRC accounting practice relating to property leasing and development. Mr. LIAO earned a BA (Hons) degree in Accounting from De Montfort University, England in 1995. He is a fellow member of the Association of Chartered Certified Accountants and also an associate member of the HKICPA.

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE

Since its establishment, the Company has been committed to enhancing the level of its corporate governance. The Company has adopted its own code on corporate governance practice which sets out all code provisions, except as described below, and most of the recommended best practices set out in the Corporate Governance Code in Appendix 14 to the Listing Rules ("Corporate Governance Code"). The Company will continue to improve its corporate governance practices, focusing on maintenance and enhancement of the management quality of the board, internal control and high transparency to shareholders, so as to increase the confidence of shareholders in the Company. The Company believes that good corporate governance is crucial to maintain its long-term healthy and sustainable development and is vital for the interests of its shareholders.

Provision A.4.2 of the Corporate Governance Code stipulates that a Director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after the appointment, while the Articles of Association of the Company provides that such a Director may be elected by the shareholders at the first annual general meeting after the appointment. There is minor difference between the practice of the Company and that of the Corporate Governance Code, and the Company believes that the election by the shareholders at the first annual general meeting after the appointment of the Director who fills casual vacancy will not adversely affect the operation of the Company.

In 2017, the Company complied with all provisions of its own code on corporate governance.

BOARD OF DIRECTORS

The Board is accountable to the shareholders and is responsible for the Group's overall strategy, internal control and risk management system. In order to fulfil its responsibilities, the Board has established and adhered to explicit operating policies and procedures, reporting hierarchy and delegated authority. The management is authorised to handle the daily operation of the Group.

The Board is responsible for managing the overall business of the Company and overseeing the functions performed by the subordinate special committees. In particular, the internal control practices are mainly reflected in the following areas:

- management and control of the Group's assets, liabilities, revenues and expenditures as well as proposing changes in areas critical to the Group's performance;
- strategic capital investments and new projects – through stringent project review and approval process, purchasing and tendering procedures and diligent assessment of its implementation upon completion;
- financial and operational performance – through overall strategic planning as well as the implementation and maintenance of the operational monitoring system for financial and optimised performance management;
- management of relationship with stakeholders of the Company – through frequent communication with partners, governments, customers and other parties who have legal interests in the business of the Company;
- risk management – continuous risk management through review of the reports from the Audit and Risk Management Department to identify, evaluate and appropriately manage the risks faced by the Company; and
- corporate governance – formulation and review of the Company's corporate governance policies and practices; review and monitoring of the training and continuous professional development of Directors and senior management; review and monitoring of the Company's policies and practices in compliance with the laws and regulatory requirements; as well as review of the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

With respect to Board diversity, the Directors have different professional backgrounds, providing professional advice to the Company in their respective area of expertise. As of the date of this report, the Board consisted of the following nine Directors. The term of office of each of the Directors is three years from their respective dates of appointment:

NON-EXECUTIVE DIRECTORS

Mr. NING Gaoning (Chairman)
Mr. YANG Lin
Mr. AN Hongjun

EXECUTIVE DIRECTORS

Mr. LI Congrui (Chief Executive Officer)
Mr. JIANG Nan (Chief Financial Officer)
Mr. SONG Liuyi (Senior Vice President)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Hon Chuen, Ambrose
Mr. SU Xijia
Mr. GAO Shibin

The respective terms of office of Mr. LI Congrui, Mr. YANG Lin, Mr. LAU Hon Chuen, Ambrose and Mr. SU Xijia as the Directors of the Company expired at the annual general meeting held on 7 June 2017. They, being eligible for re-election, were re-elected as the Directors of the Company.

Mr. CUI Yan resigned as a non-executive Director and a member of the Remuneration and Nomination Committee of the Company with effect from 8 August 2017 due to his other business commitments which require more of his dedication. Mr. CUI has confirmed that he has no disagreement with the Board and there are no matters relating to his resignation that need to be brought to the attention of the shareholders. Upon resignation of Mr. CUI, Mr. AN Hongjun, a non-executive Director of the Company, was appointed as a member of the Remuneration and Nomination Committee and ceased to be a member of the Strategy and Investment Committee with effect from 8 August 2017.

Mr. SONG Liuyi was appointed as an executive Director and a member of the Strategy and Investment Committee of the Company by the Board on 8 August 2017. Pursuant to the Articles of Association, Mr. SONG will be subject to election by shareholders at the annual general meeting to be held in June 2018.

As of the date of this report, the composition of the special committees under the Board of the Company is as follows:

Audit Committee: Mr. SU Xijia (Chairman), Mr. YANG Lin and Mr. GAO Shibin

Remuneration and Nomination Committee: Mr. LAU Hon Chuen, Ambrose (Chairman), Mr. SU Xijia and Mr. AN Hongjun

Strategy and Investment Committee: Mr. LI Congrui (Chairman), Mr. JIANG Nan, Mr. GAO Shibin and Mr. SONG Liuyi

Independent Board Committee: Mr. LAU Hon Chuen, Ambrose (Chairman), Mr. SU Xijia and Mr. GAO Shibin

Save as disclosed above, there were no other changes of Directors of the Company during the Period under Review and as at the date of this report.

Biographical details of the Directors are set out from pages 102 to 106 of this report. The Board members have no financial, business, family or other material/relevant relationships with each other. The Company has arranged appropriate insurance coverage in respect of legal actions against its Directors and reviews the coverage of the insurance every year.

The Board has a balanced composition. Each Director possesses the knowledge, experience and expertise required for the business operation and development of the Group. All Directors are aware that they are severally and collectively accountable to the shareholders. They also fulfil their duties and responsibilities diligently to make contribution to the outstanding results of the Group.

The current non-executive Directors are not involved in the Company's daily management but they provide the Company with a wide range of expertise and experience. Their participation in the Board and the committee meetings brings independent judgment on issues relating to the Company's strategies, performance, conflicts of interest and management procedures, to ensure that adequate checks and balances are provided and the interest of all shareholders are taken into account. The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to safeguard the interest of shareholders, other related parties and the Group.

The Company has three independent non-executive Directors in compliance with the requirements under the Listing Rules that the number of independent non-executive Directors shall account for at least one-third of the members of the Board and at least one of them shall have appropriate financial management expertise. Each independent non-executive Director has confirmed his independence to the Company, and the Company is of the view that these Directors are independent of the Company under the guidelines set out in Rule 3.13 of the Listing Rules.

The Directors have access to appropriate business documents and information about the Company on a timely basis. The Directors have free access to the management for enquiries and further information when necessary. All Directors and the special committees under the Board also have recourse to external legal counsels and other professionals for independent advice at the Company's expense as and when the need arises.

The Directors actively participate in continuous professional development, develop and refresh their knowledge and skills to ensure that their contributions to the Board remain informed and relevant. During the Reporting Period, all of the Directors participated in special on-site investigations and trainings on the real estate industry and green building, as well as related featured seminars on the city, technology and economic development and their interrelations organised by the Company. All of the Directors also participated in a number of external trainings and conferences. In particular, Mr. LI Congrui participated in the meetings, including the "CRECC Annual Conference 2017", "Minsheng Bank Real Estate and Finance Cross-Sector Seminar 'Thinking and Sharing Exchange'" and "Citibank CEO Day". Mr. JIANG Nan participated in the meetings and trainings including the "Macquarie Group's annual conference on real estate", the "urban construction and industrial finance development forum", "China Merchants Bank's real estate summit for 2017", the featured seminar on promoting smart city development, peer learning and exchange activities between the Company, Vanke Financial Shared Service Center and Wuhan Centralised Contracting Center, and the peer exchange activities between the Company and the Real Estate Committee of Insurance Asset Management Association of China. Mr. SONG Liuyi attended the meetings, including CEIBS Management Forum: From Capital Accumulation to Technology Innovation. Mr. LAU Hon Chuen, Ambrose participated in the featured meetings and trainings including the "Seminar on the Practice of Appointing Attesting Officers (2017)(I)", "Controversial Simple Attesting Business – Seminar on Domestic Proxy Attesting Practice and Analysis", "Introduction to Attesting of Economic Affairs in China – from the perspective of primary attesting practice", "Seminar on the Registration Procedures and Changes in Materials Submission under the Reform of Commercial Systems" and "Seminar on Attesting Development under the New Normal" organised by the Association of China-Appointed Attesting Officers Limited, the "Conference for Independent Non-Executive Directors" and "Regulator's Dialogue on Independent Non-Executive Directors Empowerment and Bank Culture" organised by Hong Kong Monetary Authority, and the "Listing Mainland Companies in Hong Kong" and "Commercial Drafting – Mergers & Acquisitions" organised by The Law Society of Hong Kong, and the "Directors Development Programme Series: Fighting corruption: challenges confronting bank directors" organised by The Hong Kong Institute of Bankers. Mr. GAO Shibin participated in the conferences and seminars organised by Tsinghua University, Royal Institution of Chartered Surveyors and Real Estate Professionals Association China on topics such as "Property Trends in the New Era", "Real Estate Financing Model", "Asset Management" and "Journey of Property Securitisation". Mr. AN Hongjun participated in China Merchants Securities International Investors' Forum and BOCOM International Securities Financial Forum and attended more than 20 meetings where topics are related to outlook and prospect analysis of investments in China and the Belt and Road Initiative.

BOARD MEETINGS

The Board meets regularly and Board meetings are held at least four times a year to review the financial performance of the Company, significant issues and other matters that require decisions of the Board.

The Company has made proper arrangements to give all Directors the opportunity to present matters for discussion in the agenda of each Board meeting. All Directors are given an agenda and relevant documents prior to each Board meeting.

The Board office of the Company assists in preparing agenda for Board meetings and ensures that all applicable rules and regulations regarding the meetings are followed.

Apart from the consent obtained through circulation of 12 written resolutions to all Board members, during the Period under Review, the Board held four meetings in total. The Directors considered and approved various matters, mainly including the 2016 annual report and the 2017 interim report of the Company, China Jinmao's 2016 Sustainable Development Report, annual mandate for the issuance of onshore and offshore notes, annual mandate for wealth management, annual mandate for interest and exchange derivatives transactions for hedging purpose, transfer of 50% equity interest in Shanghai Xingwaitan by public listing, bundling acquisition of 50% equity interest in Shanghai Yin Hui and 50% equity interest in SISSC by public listing, renewal of Framework Financial Service Agreement with Sinochem Finance and annual cap for deposit service; and the appointment of Directors and senior management, adjustment of the Company's project investment assessment indicators, and listened to the featured reporting regarding the review of development history of China Jinmao at its 10th anniversary of listing and the proposal on the new brand logo of China Jinmao, and the city entry and regional division plan of the Company. In addition, the Directors regularly review the relevant matters of corporate governance, including interpellating on the work reports and business plans of all departments of the Company's headquarters and member companies, review of the Company's compliance with the policies and practices on laws and regulations, training and continuing professional development of Directors and senior management, code of conduct for employees and Directors and the Company's compliance with the corporate governance code. Attendance at such Board meetings and resolution participation of each Director during 2017 are set out below:

Position	Name	Meeting attended in person	Meeting attended by proxy	Meeting attendance rate	Total number of resolutions	Resolution participation rate
Non-executive Director	Mr. NING Gaoning	1/4	3	25%	13/16	81%
Non-executive Director	Mr. YANG Lin	3/4	1	75%	15/16	94%
Non-executive Director	Mr. CUI Yan*	1/2	1	50%	8/9	89%
Non-executive Director	Mr. AN Hongjun	3/4	1	75%	15/16	94%
Executive Director	Mr. LI Congrui	4/4	0	100%	16/16	100%
Executive Director	Mr. JIANG Nan	4/4	0	100%	16/16	100%
Executive Director	Mr. SONG Liuyi*	2/2	0	100%	7/7	100%
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	3/4	0	75%	15/16	94%
Independent non-executive Director	Mr. SU Xijia	4/4	0	100%	16/16	100%
Independent non-executive Director	Mr. GAO Shibin	4/4	0	100%	16/16	100%

* Mr. CUI Yan ceased to be a Director of the Company from 8 August 2017; Mr. SONG Liuyi was appointed as a Director of the Company with effect from 8 August 2017.

The Directors are given sufficient information both at meetings and at regular intervals so that they can maintain effective control over strategic, financial, operational, compliance and corporate governance issues. They also have unrestricted access to independent professional advice and the advice and services from the Company Secretary to ensure compliance with all procedures of the Board meetings. The Company Secretary keeps minutes of each meeting of the Board and the subordinate committees, which are available to all Directors for review at any time.

The Company continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with the requirements by the Directors, and to maintain good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer are held by different persons.

Mr. NING Gaoning has been serving as a non-executive Director and the Chairman of the Company since 12 May 2016. Mr. LI Congrui was appointed as the Vice President of the Company in April 2009 and has been serving as an executive Director of the Company since 17 June 2011. He resigned as the Vice President of the Company and was re-designated as an executive Director and the Chief Executive Officer with effect from 16 January 2013.

There is a clear division of these two positions of Chairman and Chief Executive Officer of the Company to ensure a balanced distribution of power and authority. The Chairman of the Company is responsible for leading and supervising the operation of the Board and providing leadership to the Board in terms of formulating overall strategies, business directions and policies of the Company. The Chairman of the Company also makes effective plans for Board meetings and ensures that the Board acts in the best interests of the Company and its shareholders. The Chief Executive Officer of the Company is directly responsible for the daily operation of the Company, formulation and execution of policies of the Company, and is accountable to the Board for the overall operation of the Company. The Chief Executive Officer also advises the Board on any significant developments and issues.

RULES FOR NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS AND BOARD DIVERSITY

The Company has a set of formal, prudent and transparent procedures for the appointment and succession of Directors. According to the Articles of Association of the Company, a Director shall be appointed or removed by an ordinary resolution at the general meeting; the Board has the right to appoint any Director to fill a casual vacancy or appoint a new member to the Board, subject to re-election by the shareholders at the first annual general meeting immediately after the appointment. All Directors (including executive and non-executive Directors) of the Company are appointed for a term of three years. A Director may be re-elected at the general meeting after expiration of its term.

According to the Articles of Association of the Company, a Director shall be recommended by the Board or be nominated by any shareholder (other than the person to be nominated) of the Company who is entitled to exercise voting rights at a general meeting during the period from the date of despatch of the notice of the general meeting to 7 days before the date on which such general meeting is duly convened. The Remuneration and Nomination Committee of the Company may also provide advice to the Board in respect of the nomination. Qualifications and competence of the nominees should be taken into consideration during nomination.

To achieve sustainable and balanced development, the Company considers that having a diversified Board is crucial to fulfilling its strategic objectives and achieving sustainable development. In determining the composition of the Board, the Company seeks to achieve Board diversity through the consideration of a number of factors. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The selection of candidates by the Company is based on a number of criteria on diversity, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. During the Reporting Period, the Remuneration and Nomination Committee made recommendations to the Board with respect to the appointment of Directors having due regard of the above diversity requirements. The Board reviewed the current composition of Board diversity and confirmed that the members of the Board of the Company have diversified backgrounds, professional expertise and skills, including property development and investment, corporate management, capital market, law, financial accounting and financial investment. For future appointment and re-appointment, the Remuneration and Nomination Committee will also make recommendations to the Board with respect to the appointment of Directors according to the diversity policy of the Company so as to achieve Board diversity on an ongoing basis.

RESPONSIBILITIES OF DIRECTORS

Each Director is required to keep abreast of his responsibilities as a Director and of the operation and business activities of the Company from time to time. Non-executive Directors have the same duties of care and skills as executive Directors.

The non-executive Directors of the Company have sufficient experience and talent and fully participate in the Board to fulfil the functions specified in the provisions A.6.2(a) to (d) of the Corporate Governance Code.

RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for the preparation of financial statements of each financial year, which give a true and fair view of the operating results and financial status of the Company. In preparing the financial statements, the Directors of the Company have selected and applied appropriate accounting policies, and have made prudent and reasonable judgments.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 153.

THE SPECIAL COMMITTEES UNDER THE BOARD

In order to review the specific matters, the Company has established four special committees under the Board, namely the Remuneration and Nomination Committee, the Audit Committee, the Independent Board Committee and the Strategy and Investment Committee.

REMUNERATION AND NOMINATION COMMITTEE

Up to the date of this report, the members of the Remuneration and Nomination Committee of the Company are Mr. LAU Hon Chuen, Ambrose (independent non-executive Director), Mr. SU Xijia (independent non-executive Director) and Mr. An Hongjun (non-executive Director). The chairman of the Remuneration and Nomination Committee is Mr. LAU Hon Chuen, Ambrose. During the Period under Review, Mr. CUI Yan resigned as a member of the Remuneration and Nomination Committee and Mr. AN Hongjun was appointed as a member of the Remuneration and Nomination Committee, both with effect from 8 August 2017.

The functions of the Remuneration and Nomination Committee include:

– to review the size and composition of the Board at least annually based on the operation, scale of assets and shareholding structure of the Company, and make recommendations to the Board;

– to examine the standards and procedures for election of candidates for Directors and senior management and make recommendations; review the qualifications and abilities of candidates for directorship and management and make recommendations;

– to assess the independence of independent non-executive Directors;

– to make recommendations to the Board on the remuneration policies, share option/incentive schemes for Directors and senior management and on the establishment of formal and transparent procedures for developing such policies; and

– to determine, with delegated responsibility, the remuneration packages of all executive Directors and senior management; to review and approve the management's remuneration proposals with reference to the Board's corporate strategies, policies and objectives; and make recommendations in respect of the remuneration of the non-executive Directors to the Board.

The Remuneration and Nomination Committee may seek professional advice if necessary and will be provided with sufficient resources to perform its duties.

In 2017, the Remuneration and Nomination Committee's nomination, appointment, determination of remuneration packages and approval of incentive proposals included the following:

– for the purposes of strengthening and consolidating the human resources and improving the governance structure of the Company, approved the new appointment of one executive Director and three senior management officers of the Company after careful consideration of the experience and expertise of the candidates and taking into account the resignation of Directors, and submitted such recommendations to the Board for review and approval;

– assessed the performance of executive Directors and approved the terms of service contract of the executive Directors;

– amended the Code on Governance of the Remuneration and Nomination Committee, established the office for the Remuneration and Nomination Committee and relevant appointments;

– determined the remuneration packages of Directors and senior management based on the results performance of the Company and with reference to the market rates; and

– made recommendations to the Board with respect to the appointment of Directors according to the policies and procedures for nomination of Directors with due regards to election and recommendation criteria including gender, age, cultural and educational background, professional experience, skills and knowledge.

The Remuneration and Nomination Committee held one meeting and entered into eight written resolutions in 2017. Attendance at the meeting and resolution participation of each member are set out below:

Position	Name	Meeting attended in person	Meeting attended by proxy	Meeting attendance rate	Total number of resolutions	Resolution participation rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	1/1	0	100%	9/9	100%
Independent non-executive Director	Mr. SU Xijia	1/1	0	100%	9/9	100%
Non-executive Director	Mr. CUI Yan*	1/1	0	100%	6/6	100%
Non-executive Director	Mr. AN Hongjun*	–	–	–	3/3	100%

* Mr. CUI Yan ceased to be a non-executive Director and a member of the Remuneration and Nomination Committee of the Company from 8 August 2017; Mr. AN Hongjun was appointed as a member of the Remuneration and Nomination Committee of the Company and ceased to be a member of the Strategy and Investment Committee with effect from 8 August 2017.

THE AUDIT COMMITTEE

The Audit Committee of the Company is responsible for communicating with management and internal and external auditor, as well as reviewing and overseeing the Company's financial reporting and audit procedures jointly with them. During the Period under Review and up to the date of this report, the members of the Audit Committee are Mr. SU Xijia (independent non-executive Director), Mr. YANG Lin (non-executive Director) and Mr. GAO Shibin (independent non-executive Director). The chairman of the Audit Committee is Mr. SU Xijia. All members of the Audit Committee have financial backgrounds, which enable them to precisely assess the financial conditions, compliance and risk exposure of the Company, as well as to impartially perform their duties and responsibilities.

The functions of the Audit Committee include:

– to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and to deal with any issues in respect of resignation or dismissal of the auditor;

– to discuss the nature and scope of audit and the relevant reporting responsibilities with external auditor before auditing, and to review and examine whether the external auditor are independent and objective and whether the audit procedures are effective according to applicable standards;

– to develop and implement policies on the engagement of external auditor for non-audit services, and report and make recommendations to the Board with respect to any actions to be taken or areas of improvement;

– to monitor integrity of the Company's financial statements, reports and accounts, interim reports and quarterly reports (if any), and to review significant opinions regarding financial reporting contained therein, to consider any material matters or unusual matters that are reflected or are required to be reflected in such reports and accounts, and to consider any matters proposed by the person in charge of accounting and finance work, compliance officer or auditor of the Company as appropriate;

– to review the financial control of the Company and review the risk management and internal control system of the Company, to discuss the risk management and internal control system with the management to ensure that the management has performed its duties in establishing an effective system, and to examine the material investigation findings and management's responses in respect of risk management and internal control matters;

– to ensure coordination between internal and external auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

– to review the Company's financial and accounting policies and practices, to review the external auditor's management letter, to timely respond to any queries raised by the management and the Board, and to report to the Board as necessary;

– to establish a system for direct reporting by employees of the Company, to conduct investigations on any abnormalities of the Company in the manner as it considers necessary and appropriate, and to report to the Board as necessary. The committee shall also have the right to direct the Company to make proper arrangements for such issues, including conducting fair and independent investigations and taking appropriate actions; and

– to act as the key representative body for overseeing the Company's relation with the external auditor.

In 2017, financial reporting and control reviews undertaken by the Audit Committee included the following:

– reviewed the integrity and accuracy of the 2016 annual report, the 2017 interim report and formal announcements relating to the Group's financial performance;

– reviewed the 2017 work report and 2018 work plans for internal audit and internal control of the Company, confirmed the effectiveness of the internal audit and internal control functions, focused on the development of the internal control system, and carried out profound communication and discussion on team building and cultural publicity and propaganda;

– listened to the reporting on the changes in profit attributable to owners of the parent, revenue from various business segments and current ratio of the Company for 2016, discussed the impacts of the change in presentation currency in the financial statements for 2016, the case review of the issue of perpetual subordinated convertible securities and redemption of the remaining portion by the Company and the market benchmarking of final dividend ratio; and

– reviewed the annual pre-audit results, profit forecast, audit strategies and significant issues for 2017.

The Audit Committee held three meetings in 2017. Attendance at the meetings and resolution participation of each member are set out below:

Position	Name	Meeting attended in person	Meeting attended by proxy	Meeting attendance rate	Total number of resolutions	Resolution participation rate
Independent non-executive Director	Mr. SU Xijia	3/3	0	100%	3/3	100%
Non-executive Director	Mr. YANG Lin	3/3	0	100%	3/3	100%
Independent non-executive Director	Mr. GAO Shibin	3/3	0	100%	3/3	100%

The Chief Financial Officer, the deputy chief financial officer, the qualified accountant and the auditor of the Company attended all these meetings including the three meetings which reviewed the integrity and accuracy of the Company's 2016 annual report, 2017 interim report and formal announcements relating to the Group's financial performance.

INDEPENDENT BOARD COMMITTEE

During the Period under Review and up to the date of this report, the members of the Independent Board Committee of the Company are Mr. LAU Hon Chuen, Ambrose, Mr. SU Xijia and Mr. GAO Shibin. The chairman of the Independent Board Committee is Mr. LAU Hon Chuen, Ambrose. All members are independent non-executive Directors.

The functions of the Independent Board Committee include:

– to discuss whether to exercise the independent options granted by Sinochem Group Co., Ltd. to the Company pursuant to the Non-Competition Undertaking dated 26 July 2007, and to discuss any business in connection with the Non-competition Undertaking or any redevelopment business in relation to the properties held by Sinochem Group Co., Ltd., and any new business opportunities or property redevelopment opportunities of which the Company is notified by Sinochem Group Co., Ltd. in writing;

– to formulate and implement policies in relation to the appointment of an independent financial adviser or other professional advisers regarding the exercise of options and pursuit of new opportunities;

– for the connected transactions and transactions subject to independent shareholders' approval under the Listing Rules, or spin-off listing arrangements subject to approval under the Listing Rules, to examine whether the terms thereunder are fair and reasonable, and in the interest of the Group and its shareholders as a whole, and to make recommendations to the Board; and

– to review continuing connected transactions every year and make confirmation in the annual reports and accounts of the Company.

The Independent Board Committee held one meeting and entered into seven written resolutions in 2017. It considered the independent option over Shimao Investment as granted by Sinochem Group Co., Ltd. to the Company, and resolved not to exercise the option over Shimao Investment for the time being and to make relevant disclosure in the 2016 annual report and 2017 interim report; confirmed various continuing connected transactions of the Company for 2016; considered nine new business opportunities notified by Sinochem Group Co., Ltd. to the Company; and listened to the independent financial adviser's report on the continuing connected transaction under the renewed framework financial service agreement between the Company and Sinochem Finance and the cap on the maximum daily balance for deposits, and signed the letter from the Independent Board Committee. Attendance at the meeting and resolution participation of each member are set out below:

Position	Name	Meeting attended in person	Meeting attended by proxy	Meeting Attendance rate	Total number of resolutions	Resolution participation rate
Independent non-executive Director	Mr. LAU Hon huen, Ambrose	2/2	0	100%	8/8	100%
Independent non-executive Director	Mr. SU Xijia	2/2	0	100%	8/8	100%
Independent non-executive Director	Mr. GAO Shibin	2/2	0	100%	8/8	100%

STRATEGY AND INVESTMENT COMMITTEE

Up to the date of the report, the members of the Strategy and Investment Committee of the Company are executive Directors Mr. LI Congrui, Mr. JIANG Nan, Mr. SONG Liuyi and independent non-executive Director Mr. GAO Shibin. The chairman of the Strategy and Investment Committee is Mr. LI Congrui. During the Period under Review, Mr. AN Hongjun ceased to be a member of the Strategy and Investment Committee and Mr. SONG Liuyi was appointed as a member of the Strategy and Investment Committee, both with effect from 8 August 2017.

The functions of the Strategy and Investment Committee include:

– to study and formulate the Company's growth strategies, and supervise and monitor the management's execution of the Company's growth strategies;

– to review the new project investment proposals submitted by the management according to the Company's growth strategies; and

– to review the proposals on the establishment of departments in the headquarters submitted by the management.

The Strategy and Investment Committee held 23 meetings and entered into 39 written resolutions in 2017. It considered 138 issues including the tender for the three land parcels including C-05a in Bandao start area, Wenzhou; the city operation project in Nanjing Tangshan Spa & Wellness Town and the tender for the land parcel no. 2017-G82 in Tangshan boot area, Jiangning District, Nanjing; the tender for the land parcel no. 2016-045 in Wuhou New City, Chengdu; the tender for the land parcel no. 2017G41 in Jiangbei New District, Nanjing; the tender for two land parcels nos. 2017XP07 and XP08 in Xiang'an District, Xiamen; the tender for the land parcel no. D07 in Jiulonghu, Nanchang; the equity acquisition and cooperation regarding the land parcels nos. C12 and A14 in Zhangmatun, Licheng District, Jinan; the equity cooperation of Suzhou Science and Technology City Project; the equity acquisition and cooperation regarding the land parcel 2017 Jia Xiu Zhou no.044 in Xiuzhou District, Jiaxing; the transfer of 50% equity interest in Shanghai Xingwaitan by public listing; and the bundling acquisition of 50% equity interest in Shanghai Yin Hui and 50% equity interest in SISSC by public listing. Attendance at the meetings and resolution participation of each member are set out below:

Position	Name	Meeting attended in person	Meeting attended by proxy	Meeting attendance rate	Total number of resolutions	Resolution participation rate
Executive Director	Mr. LI Congrui	23/23	0	100%	62/62	100%
Executive Director	Mr. JIANG Nan	23/23	0	100%	62/62	100%
Independent non-executive Director	Mr. GAO Shibin	23/23	0	100%	62/62	100%
Non-executive Director	Mr. AN Hongjun*	13/13	0	100%	29/29	100%
Executive Director	Mr. SONG Liuyi*	10/10	0	100%	33/33	100%

* Mr. AN Hongjun ceased to be a member of the Strategy and Investment Committee of the Company with effect from 8 August 2017 and was appointed as a member of the Remuneration and Nomination Committee. Mr. SONG Liuyi was appointed as an executive Director and a member of the Strategy and Investment Committee of the Company with effect from 8 August 2017.

EXTERNAL AUDITOR

In 2017, the remuneration paid or payable to the Company's auditor, Ernst & Young, for the statutory audit and non-audit services amounted to approximately HK$10,148,000 and HK$5,391,000, respectively, including services provided to Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited. The non-audit services provided by Ernst & Young to the Group were in relation to the review services on the interim results, limited assurance services on continuing connected transactions and other professional services.

INTERNAL CONTROL

The Board takes responsibilities for the risk management and internal control systems and is responsible for reviewing the effectiveness of such systems. In 2017, the Directors and the Audit Committee respectively listened to the special reporting on the Company's internal and external audit and the internal control work summary report, evaluated the effectiveness of the Company's risk management, operations and compliance management, financial management and internal control systems, communicated directly with the personnel from the finance department, internal audit department, legal and compliance department and strategic operations department, and made specific guiding opinions and requirements.

The Directors confirm that the Company has in place comprehensive internal audit functions and, through its internal control department, conducts regular audits, including annual routine audit, departure audit and special audit where the scope of audits covers all aspects including the execution of the Group's internal regulations and procedures, finance, tender and procurement, project quality, strategic operations, marketing and design to prevent assets from inappropriate use. The Company also maintains proper accounts and ensures that the regulations are complied with. In 2017, the internal audit department of the Company carried out 4 routine audits, 2 departure audits, 7 special audits and 14 training sessions. The above measures aim to manage but not eliminate the relevant risks and the above measures can only provide reasonable but not absolute assurance to the achievement of business objectives.

The Directors confirm that the Company has formulated a complete system for risk identification, assessment and management where an annual risk identification schedule is prepared to rationalise risks in a comprehensive and systematic manner. Various departments at the headquarters are responsible for executing the professional risk assessment, management and monitoring procedures, including 12 management standards and 86 management guidelines on strategic planning, operations, investment, comprehensive budget, funds, development design, project quality, cost control, marketing, whole development cycle customer risk and HSE, which comprehensively cover various risks associated with the property related business and development of the Company. In 2017, a total of 12,464 procedures were assessed, managed and monitored by the headquarters of the Company and approved by executive Directors, all of which were completed via the electronic online approval system.

The Directors confirm that the Company has in place a regulated, sound and effective internal control system. The headquarters of the Company is responsible for making annual amendments to the organisational structure, accountability system and policies and procedures on rolling basis, and optimising the management hierarchy and approval procedures. At the same time, it endeavours to strengthen the IT system development, enhance the process monitoring and risk management in the course of business execution, and continuously improve the internal control system. In addition to regular internal audit and inspection of accountability system by the internal audit department of the headquarters to ensure that the internal control system of the Company is in smooth operation as a whole, all the companies under the Group also regularly implement self-examination of the internal control system as part of their routine internal control efforts. In addition, the routine control measures also include the following: i) professional committees comprising relevant persons-in-charge from the headquarters' functional departments are established by the Company to regularly review the budget execution, operation and internal control, quality control, safety management and investment decision of the Company, and to report to the senior management and account for specific matters. In 2017, the five special committees of the Company convened 202 meetings to consider and approve the enhancement initiatives for the management of a number of professional line functions; ii) evaluation of the Group's comprehensive operating results, strategic progress and performance is carried out by the innovation and strategic operations department of the headquarters on monthly, quarterly, semi-annual and annual basis, the reports of which are subject to review and approval by the management of the Company. The supervision list of key matters is distributed to the relevant subordinate units for implementation and rectification within the specified period. This forms an efficient internal control feedback mechanism for the Company. The internal control system of the Company fully covers the major matters of the Company's operations and high risk areas that draw close attention, such that any material risks and deficiencies can be evaluated, supplemented and rectified in a timely manner.

After careful evaluation, the Directors of the Company all consider that the Group's existing risk management and internal control system is effective and adequate.

INSIDE INFORMATION

The Company has taken prudent measures in handling inside information, for which the Company has formulated effective systems and measures, including the formulation of the "Administrative Standards on Inside Information Disclosure of China Jinmao" (中國金茂內幕消息披露管理標準) to state the selection criteria for inside information, scope of informants of inside information and to identify the term of reference of the compliance, investor relations and media management functions. The administrative standards provide that inside information shall be kept strictly confidential prior to public disclosure, among which the personnel who have access to inside information must ensure confidentiality of the information, and should not, in any manner, divulge the information of the Company to external parties without authorisation. Besides, consultants and intermediaries engaged by the Company shall enter into strict confidentiality agreements with the Company to ensure the inside information is properly handled. At the same time, to ensure the inside information is disclosed in a timely and proper manner, any matters that constitute inside information must be first reviewed by the compliance officers and investor relations officers of the Company and obtain consent from the relevant executive Directors before due disclosure.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to regulate directors' securities transactions. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the requirements set out in the Model Code for the year ended 31 December 2017.

All employees of the Group shall comply with the "Administrative Rules for Securities Transactions by the Employees of China Jinmao" formulated by the Company with reference to the requirements set out in Appendix 10 of the Listing Rules in their dealings in the securities of the Company.

RIGHTS OF SHAREHOLDERS

Shareholders have right to raise questions and make suggestions on the business of the Company. All shareholders shall have equal rights according to their respective shareholding and assume corresponding obligations. Shareholders are entitled to get access to and participate in the material matters of the Company as prescribed by laws, administrative regulations and the Articles of Association of the Company.

MOVING A RESOLUTION AT AN ANNUAL GENERAL MEETING

Pursuant to Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), a shareholder may submit a written requisition to move a resolution at an annual general meeting if it has received requests that it do so from:

(a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or

(b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

A request -

(a) may be sent to the company in hard copy form or in electronic form;

(b) must identify the resolution of which notice is to be given;

(c) must be authenticated by the person or persons making it; and

(d) must be received by the company not later than -

  (i) six weeks before the annual general meeting to which the requests relate; or

  (ii) if later, the time at which notice is given of that meeting.

PROPOSING A CANDIDATE FOR ELECTION AS A DIRECTOR

Pursuant to Article 77(2)(b) in the Articles of Association of the Company, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should give the Company Secretary a notice of his intention to propose a resolution for the appointment or reappointment of the person as the Director of the Company and a notice executed by that person of his willingness to be appointed or re-appointed, no earlier than the day after the despatch of the notice of the general meeting and no later than seven days prior to the date fixed for such general meeting.

CONVENING A GENERAL MEETING

Pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), a general meeting may be called upon if the company has received requests to do so from members of the company representing at least 5% of the total voting rights of all the members having a right to vote at general meetings.

(a) A request -

  (i) must state the general nature of the business to be dealt with at the meeting;

  (ii) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;

(b) Requests may consist of several documents in like form; and

(c) A request -

  (i) may be sent to the company in hard copy form or in electronic form; and

  (ii) must be authenticated by the person or persons making it.

SHAREHOLDERS' ENQUIRIES TO THE BOARD

Enquiries from shareholders for the Board may be directed to us by the means as stated in the section under "Corporate Information" in this report.

GENERAL MEETING

The Company maintains and facilitates exchange and communication between shareholders and the Board through a number of communication methods, including general meetings, announcements and circulars to shareholders. The Company held an annual general meeting on 7 June 2017, which reviewed and approved the audited financial statements, the reports of the Directors and the auditor's report for the year ended 31 December 2016; declared the final dividend for the year ended 31 December 2016; re-elected Mr. LI Congrui, Mr. YANG Lin, Mr. LAU Hon Chuen, Ambrose and Mr. SU Xijia as Directors of the Company; authorised the Board of the Company to determine the remuneration of Directors of the Company; re-appointed Ernst & Young as the auditor of the Company and authorised the Board to determine their remuneration; and reviewed and approved the general mandate to issue shares and repurchase shares. Save for non-executive Directors Mr. NING Gaoning, Mr. YANG Lin, Mr. CUI Yan and Mr. AN Hongjun and independent non-executive Director Mr. LAU Hon Chuen, Ambrose who were unable to attend the meeting due to other business commitments, all of the remaining Directors attended the annual general meeting held on 7 June 2017.

The extraordinary general meeting of the Company was convened on 8 December 2017 to consider, approve, ratify and confirm the deposit service under the renewed framework financial service agreement (including the maximum daily balance). Save as non-executive Directors Mr. NING Gaoning, Mr. YANG Lin and Mr. AN Hongjun who were unable to attend the meeting due to other business commitments, all of the remaining Directors attended the extraordinary general meeting on 8 December 2017.

Report of the Directors

The Board presents its report and the audited financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and the principal activities of its subsidiaries are development of, investment in and operation of real estate projects, focusing on city and property development, hotel operations, commercial leasing and retail operations. Details of the subsidiaries of the Company are set out in note 1 to the financial statements.

BUSINESS REVIEW

For details of the future business development, business operations and major risks faced by the Company during the Reporting Period, please refer to the section headed "Chairman's Statement" from pages 8 to 11, and the section headed "Management Discussion and Analysis" from pages 14 to 92 in this report.

For details of the environmental policies and performance of the Company during the Reporting Period, please refer to the "Green Strategy" in the section headed "Management Discussion and Analysis" from pages 14 to 92 and the "Contributing a Cultural of Green for our Environment" in the section headed "Corporate Social Responsibilities" from pages 96 to 101 in this report.

For details of the material relationship between the Company and its employees, customers, suppliers and other persons of significant influence to the Company during the Reporting Period, please refer to the section headed "Corporate Social Responsibilities " from pages 96 to 101 in this report.

The above discussion forms part of the Report of the Directors.

Taking into account the laws, regulations, policies and documents that have a material impact on the business of the Company, including but not limited to the "Land Administration Law of the People's Republic of China", the "Urban Real Estate Administration Law of the People's Republic of China", the "Bidding Law of the People's Republic of China", the "Measures on the Administration of Sale of Commodity Houses", the "Company Law of the People's Republic of China" and foreign-invested related laws and regulations, as well as the documents issued by relevant government authorities from time to time including the State Administration of Foreign Exchange, the Ministry of Housing and Urban-Rural Development, the Ministry of Finance, the China Securities Regulatory Commission and the People's Bank of China (the "PBOC"), the Company confirmed that, during the Reporting Period, there were no circumstances of administrative punishments or inspections by relevant government authorities as a result of violation of laws, regulations, policies and documents that have a material impact on the business of the Company, and the Company and its subsidiaries were in compliance with all applicable laws and regulations. The Company has formulated the comprehensive administration standards and approval procedures for legal affairs and continued to revise them for improvement. In 2017, the Group reviewed and approved a total of 9,179 contracts according to the standardised procedures via the network office automation platform with a rate of 100% of the contracts reviewed by legal specialists, and avoided contract default risks through ongoing supervision of contract execution. In addition, in 2017, the Company organised 45 legal trainings for employees and regularly published a total of 37 articles including legal news, latest laws and regulations and legal research reports on the column "Law-Ruling Jinmao" on the network office automation platform, so as to ensure effective operation of the legal risk prevention and control system of the Company by making sure that the employees of the Company are aware of and comply with the relevant laws and regulations when discharging their duties. In 2017, the Company focused on preparing the litigation data analysis and risk assessment report based on the internal litigation cases between 2014-2017 collected and collated by the Company so as to systematically rationalise the current status of the disputes and risks arising from the key areas of property development including construction, property sales and property services, as well as make recommendations on preventing and managing of the aforesaid key areas.

RESULTS AND DIVIDENDS

Details of the Group's results for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 158 of this report.

In celebration of the 10th anniversary of the Company's listing on the Hong Kong Stock Exchange, on 8 August 2017, the Board resolved to make payment of a special interim dividend of HK8.17 cents per share to the shareholders of the Company. The special interim dividend was paid on 29 December 2017.

The Board recommended the payment of a final dividend of HK18 cents per share for the year ended 31 December 2017. The proposed final dividend shall be subject to approval of shareholders at the forthcoming annual general meeting. Upon determining the date of the annual general meeting, the Company will issue a notice on the closure of register with respect to the annual general meeting and final dividend. The final dividend is expected to be paid by 31 August 2018. Details of the payment of the dividend will be set out in the notice convening the annual general meeting.

SHARE CAPITAL AND SHARE OPTIONS

As at 31 December 2017, the total issued share capital of the Company was 10,675,477,349 ordinary shares.

As stated in the announcements of the Company dated 28 March 2017 and 28 April 2017, the Company redeemed in cash the perpetual subordinated convertible securities in an aggregate principal amount of US$600,000,000 issued by Franshion Capital Limited (a wholly-owned subsidiary of the Company, the "Issuer") on 12 October 2010. On 27 April 2017, the Issuer redeemed all of the outstanding securities in an aggregate principal amount of US$400,000,000. The Company made a payment of US$441,133,333.33 for the redemption of securities. Upon completion of the aforesaid redemption, no securities remain outstanding.

Details of movement in the Company's share capital and share options in 2017 are set out in notes 37 and 38 to the financial statements, respectively.

As stated in the announcements of the Company dated 15 January 2018 and 24 January 2018, on 13 January 2018, Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong"), the Company, Goldman Sachs (Asia) L.L.C. and The Hongkong and Shanghai Banking Corporation Limited entered into a placing agreement, pursuant to which, Goldman Sachs (Asia) L.L.C. and The Hongkong and Shanghai Banking Corporation Limited have agreed to act as agents for Sinochem Hong Kong and to procure placees to purchase up to 900,124,000 shares beneficially owned by Sinochem Hong Kong at the placing price of HK$3.70 per share (where the closing price of the shares on the Hong Kong Stock Exchange was HK$3.97 per share as at the last trading day prior to entering into the placing agreement, i.e. 12 January 2018). Pursuant to the aforesaid placing, the Company and Sinochem Hong Kong also entered into a subscription agreement on the same day, pursuant to which, the Company has conditionally agreed to issue up to 900,124,000 subscription shares to Sinochem Hong Kong at the subscription price of HK$3.70 per share. On 17 January 2018, the aforesaid placing has been completed and a total of 900,124,000 shares have been successfully placed to 53 placees, who, together with their respectively ultimate beneficial owners, are independent third parties, at the price of HK$3.70 per share. On 24 January 2018, pursuant to the general mandate approved at the 2017 annual general meeting, the Company allotted and issued 900,124,000 subscription shares to Sinochem Hong Kong at HK$3.70 per share. The gross proceeds from the aforesaid subscription amounted to approximately HK$3,330.5 million and the net proceeds after deducting relevant fees, costs and expenses, amounted to approximately HK$3,305.5 million. As at the date of this report, part of proceeds were exchanged to US$150 million to repay borrowings and the rest of the proceeds were used for project development and construction of the Company. The net subscription price after deduction of the relevant fees, costs and expenses amounted to approximately HK$3.67 per subscription share. Upon completion of the aforesaid placing and subscription, the total issued share capital of the Company has increased from 10,675,826,949 shares to 11,575,950,949 shares. The purposes of such placing and subscription are to further enlarge the Company's shareholders' equity base, optimise the capital structure of the Company and support a healthy and sustainable development of the Company.

RESERVES

Movements in reserves of the Company and of the Group in 2017 are set out in note 39 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the provisions of Sections 291, 297 and 299 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), amounted to HK$3,838,664,000 (equivalent to RMB3,130,113,000), of which HK$1,921,586,000 (equivalent to RMB1,549,183,000) has been proposed as a final dividend for the Year. In addition, the Company's share capital in the amount of HK$6,109,789,000, being the amount of the share premium which has become part of the share capital pursuant to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to major customers and purchases from major suppliers of the Group in the Year are set out below:

	For the year ended 31 December 2017 Percentage of total turnover (%)
Five largest customers	18%
The largest customer	7%

	Percentage of total purchase (%)
Five largest suppliers	32%
The largest supplier	14%

The above five largest customers and suppliers of the Group are independent third parties. To the best knowledge of the Directors, none of the Directors of the Company or any of their close associates or any shareholders who own more than 5% of the Company's shares had any interest in the Group's five largest customers or five largest suppliers.

BANK AND OTHER BORROWINGS

Particulars of the bank and other borrowings of the Company and of the Group as at 31 December 2017 are set out in note 32 to the financial statements.

CHARITABLE DONATIONS

During the Year, the subsidiaries of the Company in Beijing, Chongqing and Changsha made charitable donations totalling RMB15,756,280 for the education of school projects and public welfare activities.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movement in the property, plant and equipment and investment properties of the Group during the Year are set out in notes 13 and 17 to the financial statements.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 276 of this report. The summary does not form part of the audited financial statements.

DIRECTORS OF THE LISTED COMPANY AND ITS SUBSIDIARIES

During the Year and as of the date of this report, the Directors of the Company include:

Non-executive Directors

Mr. NING Gaoning
Mr. YANG Lin
Mr. CUI Yan (resigned on 8 August 2017)
Mr. AN Hongjun

Executive Directors

Mr. LI Congrui
Mr. JIANG Nan
Mr. SONG Liuyi (appointed on 8 August 2017)

Independent Non-executive Directors

Mr. LAU Hon Chuen, Ambrose
Mr. SU Xijia
Mr. GAO Shibin

During the Year and as at the date of this report, the list of directors of the Company's subsidiaries is published on the website of the Company at www.chinajinmao.cn.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2017, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

SENIOR MANAGEMENT

Biographical details of the current senior management of the Company are set out on pages 107 to 109 of this report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' remuneration is determined by reference to Directors' duties and responsibilities, individual performance and the results of the Group.

For the year ended 31 December 2017, details of the remuneration of the Directors and senior management of the Company are set out in notes 8 and 47 to the financial statements. There was no arrangement under which a Director waived or agreed to waive any remuneration during the Year.

DIRECTORS' (OR THEIR CONNECTED ENTITIES') INTEREST IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors (or their connected entities) was materially interested, directly or indirectly, in any transactions, arrangements or contracts of significance entered into by the Company or its controlling shareholder or any of their respective subsidiaries as at 31 December 2017 or at any time during the Year. The Company did not provide any loan to any of the Directors or the management personnel of the Company during the Year.

DIRECTORS' RIGHTS TO SUBSCRIBE SHARES

Save as disclosed in the section headed "Share Option Scheme" under the "Report of the Directors" in this report, no arrangements to which the Company or its controlling shareholder or any of their respective subsidiaries is a party, whose purposes are, or one of whose purposes is, to enable any Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, subsisted as at 31 December 2017 or at any time during the Year.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

Sinochem Group Co., Ltd. is the ultimate controlling shareholder of the Company. The contracts of significance entered into between Sinochem Group Co., Ltd. or its subsidiaries and the Company or its subsidiaries are mainly agreements of connected transactions and continuing connected transactions conducted between them, and the Non-Competition Undertaking between Sinochem Group Co., Ltd. and the Company dated 26 July 2007, as detailed in sections headed "Connected Transactions", "Continuing Connected Transactions" and "Compliance with Non-Competition Agreement" below.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

Sinochem Group Co., Ltd. has provided a written confirmation stating that Sinochem Group Co., Ltd. and its subsidiaries (other than those which form part of the Group) complied with their obligations under the Non-competition Undertaking during 2017.

On 21 March 2017 and 31 July 2017, a wholly-owned subsidiary of Sinochem Group Co., Ltd. granted two purchase options to the Company respectively pursuant to the Non-Competition Undertaking, whereby the Company may acquire such company's 20% equity interest in Wuhan Yangsi Port Project and 100% equity interest in Tianjin Dongli Xiaowang Village Project. The Company will review and consider whether to exercise such purchase options from time to time during the term of the Non-Competition Undertaking.

EMPLOYEES AND REMUNERATION POLICIES

For details regarding the employees and remuneration policies of the Group during the Year, please refer to the section headed "Corporate Social Responsibilities" on pages 96 to 101 of this report.

RETIREMENT SCHEMES

The Group contributes on a monthly basis to various defined contribution retirement benefit schemes (the "Retirement Schemes") administrated and organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to pay retirement benefits under the Retirement Schemes to employees when they retire, and the Group is not required to provide other post-retirement benefits to the employees, except for the contributions made under the Retirement Schemes.

The Group also participates in a mandatory provident fund scheme (the "MPF Scheme") required by the government of Hong Kong, which is a defined contribution retirement benefit scheme. Contributions to these schemes are expenses as incurred.

Neither the Retirement Schemes nor the MPF Scheme has any requirement concerning forfeited contributions.

Contributions to the retirement benefit schemes by the Group for the year ended 31 December 2017 were RMB118,234,000.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

SHARE OPTION SCHEME

On 22 November 2007, the Company adopted a share option scheme (the "Scheme"), the purpose of which is to enhance the commitment of the participants to the Company and encourage them to pursue the objectives of the Company. An amendment to the Scheme was approved and adopted by the Board on 23 August 2012.

According to the terms of the Scheme of the Company, the Board shall at its absolute discretion grant to any participant a certain number of options at any time within 10 years after the adoption date of the Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive Directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent non-executive Directors of the Company.

The number of shares to be issued at any time upon exercise of all options granted under the Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the then issued share capital of the Company. Accordingly, the Company may issue up to 491,526,400 shares to the participants under the Scheme, representing 4.25% of the issued share capital of the Company as at the date of this report. The Scheme was expired on 21 November 2017.

Unless an approval of shareholders is obtained at a general meeting, if the total number of shares issued and shares which may fall to be issued upon exercise of the options (including exercised, cancelled and outstanding options) granted under the Scheme and any other share option schemes of the Company to a participant in any 12-month period in aggregate exceeds 1% of the issued share capital of the Company at any time, no further options shall be granted to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of the Company, pay a consideration of HK$1 or equivalent (to be determined on the date when the offer of the grant is accepted) to the Company for acceptance of the offer of the grant of the option.

More details of the Scheme are set out in note 38 to the financial statements.

GRANT AND EXERCISE OF OPTIONS

On 5 May 2008, 5,550,000 share options were granted to eligible participants by the Company. 60% of these share options were lapsed as the performance review results for the year did not meet the target performance results; the remaining 40% of the share options were vested and the exercisable period was expired on 4 May 2015. On 28 November 2012, 58,267,500 share options were granted to eligible participants by the Company. 40% of these share options were lapsed as the performance review results for the year did not meet the target performance results; the remaining 60% of the share options are vested and the exercisable period shall expire on 27 November 2019.

On 17 October 2016, the Company granted 172,350,000 share options to eligible participants and the exercise price was HK$2.196 per share, being the average closing price per share as stated in the Hong Kong Stock Exchange's daily quotation sheet for the last five consecutive trading days prior to the date of grant. Such options shall vest after two years from the date of grant of the options at the earliest. The share options shall only vest if the pre-set performance targets of the Group, the division of the grantee and the grantees are achieved. Otherwise, the share options shall lapse.

For the year ended 31 December 2017, no share option was granted under the Scheme.

The following share options were outstanding under the Scheme during the year ended 31 December 2017:

	Number of share options									
Name or category of grantees	As at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 31 December 2017	Date of grant of share options	Exercise period of share options (both days inclusive)	Exercise price of share options (HK$)	Closing price of the shares of the Company immediately preceding the grant date (HK$)
Directors										
Mr. LI Congrui	435,000	–	–	–	–	435,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	435,000	–	–	–	–	435,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2018 to 16 October 2023	2.196	2.15
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2019 to 16 October 2023	2.196	2.15
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2020 to 16 October 2023	2.196	2.15
Mr. JIANG Nan	435,000	–	–	–	–	435,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	435,000	–	–	–	–	435,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2018 to 16 October 2023	2.196	2.15
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2019 to 16 October 2023	2.196	2.15
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2020 to to 16 October 2023	2.196	2.15
Mr. SONG Liuyi [Note 1]	–	–	–	–	–	–	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	360,000	–	(360,000)	–	–	–	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2018 to 16 October 2023	2.196	2.15
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2019 to 16 October 2023	2.196	2.15
	500,000	–	–	–	–	500,000	17 October 2016	17 October 2020 to 16 October 2023	2.196	2.15
Sub total	2,100,000	–	(360,000)	–	–	1,740,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	4,500,000	–	–	–	–	4,500,000	17 October 2016	17 October 2018 to 16 October 2023	2.196	2.15
Employees in aggregate	4,476,580	–	(1,629,240)	–	(143,100)	2,704,240	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	6,218,340	–	(1,677,500)	–	(967,200)	3,573,640	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	55,576,000	–	–	–	(7,984,000)	47,592,000	17 October 2016	17 October 2018 to 16 October 2023	2.196	2.15
	55,576,000	–	–	–	(7,984,000)	47,592,000	17 October 2016	17 October 2019 to 16 October 2023	2.196	2.15
	55,928,000	–	–	–	(8,032,000)	47,896,000	17 October 2016	17 October 2020 to 16 October 2023	2.196	2.15
Total	12,794,920	–	(3,666,740)	–	(1,110,300)	8,017,880	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	171,580,000	–	–	–	(24,000,000)	147,580,000	17 October 2016	17 October 2018 to 16 October 2023	2.196	2.15

Note 1: Mr. SONG Liuyi was appointed as an executive Director of the Company on 8 August 2017.

DIRECTORS AND CHIEF EXECUTIVES' INTEREST IN SHARES OR UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Save as disclosed below, as at 31 December 2017, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required, pursuant to the Model Code as set out in the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

(a) Interest in the shares or underlying shares of the Company

Name	Capacity	Number of shares held	Number of underlying shares held (Note)	Approximate percentage of the issued share capital
Mr. LI Congrui	Beneficial owner	1,000,000(L)	2,370,000(L)	0.032%
Mr. JIANG Nan	Beneficial owner	1,000,000(L)	2,370,000(L)	0.032%
Mr. SONG Liuyi	Beneficial owner	748,000(L)	1,500,000(L)	0.021%

(L) Denotes long positions

Note: Represents the underlying shares subject to share options which are unlisted physically settled equity derivatives.

(b) Interest in the shares or underlying shares of the associated corporations of the Company

Name	Capacity	Name of the associated corporation	Number of share stapled units held	Approximate percentage of the issued share stapled units
Mr. LI Congrui	Beneficial owner	Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited[Note 1]	350,000(L)	0.018%[Note 2]
Mr. JIANG Nan	Beneficial owner	Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited[Note 1]	484,500(L)	0.024%[Note 2]

(L) Denotes long positions

Note 1: As at 31 December 2017, the Company was interested in approximately 66.77% equity interest in the share stapled units issued by Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited. As a result, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited is an associated corporation of the Company

Note 2: The percentage is calculated based on the total number of issued share stapled units of 2,000,000,000 share stapled units of Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited as at 31 December 2017.

SUBSTANTIAL SHAREHOLDERS' INTEREST

So far as is known to the Directors of the Company, as at 31 December 2017, the following persons (other than the Directors or chief executives of the Company) had interest and short positions in the shares, or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Hong Kong Stock Exchange:

Name of the substantial shareholder	Nature	Capacity/nature of Interests	Number of ordinary shares	Approximate percentage of the issued share capital
Sinochem Hong Kong (Group) Company Limited	Long position	Beneficial owner	5,759,881,259	53.95%
Sinochem Corporation	Long position	Interest of controlled corporation(Note 1)	5,759,881,259	53.95%
Sinochem Group Co., Ltd.	Long position	Interest of controlled corporation(Note 1)	5,759,881,259	53.95%
New China Life Insurance Company Ltd.	Long position	Beneficial owner	1,063,762,000	9.96%
GIC Private Limited	Long position	Investment manager	630,676,839	5.91%

Note 1: Sinochem Group Co., Ltd. holds 98% equity interests in Sinochem Corporation, which in turn holds the entire equity interest in Sinochem Hong Kong. For the purpose of the SFO, Sinochem Group Co., Ltd. and Sinochem Corporation are both deemed to be interested in the shares beneficially owned by Sinochem Hong Kong.

Save as disclosed above, as at 31 December 2017, the Directors of the Company were not aware of any person (other than the Directors or chief executives of the Company) who had interest or short positions in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Hong Kong Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

During the Period under Review, the Company entered into non-exempt continuing connected transactions, including:

I. Continuing connected transactions exempt from the independent shareholders' approval requirement:

1 Framework lease agreement between China Jin Mao Group Co., Ltd. ("Jin Mao Group") and Sinochem Group Co., Ltd.;

2 Framework lease agreement between the Company and Sinochem Group Co., Ltd.;

3 Entrustment loan framework agreement between Franshion Properties (Hangzhou) Limited ("Hangzhou Properties"), Sky Power Properties Limited ("Sky Power Properties") and Sinochem Lantian Co., Ltd. ("Sinochem Lantian");

4 Entrustment loan framework agreement between Shanghai Yin Hui Real Estate Development Company Limited ("Shanghai Yin Hui"), the Company and Shanghai International Port (Group) Co., Ltd. ("SIPG");

5 Entrustment loan framework agreement between Shanghai International Shipping Service Center Co., Ltd. ("SISSC"), the Company and SIPG;

6 Entrustment loan framework agreement between Jinmao Investment (Changsha) Co., Ltd. ("Jinmao Changsha"), Shanghai Jinmao Economic Development Co., Ltd. ("Jinmao Development") and Changsha CSC Investment Co., Ltd. ("CSC Changsha");

7 Entrustment loan framework agreement between Changsha Meixi Lake Jin Yue Properties Limited ("Jin Yue Properties"), Changsha Jinmao Real Estate Co., Ltd. ("Changsha Jinmao") and Meixi Lake Investment (Changsha) Co., Ltd. ("Meixi Lake Investment");

II. Continuing connected transactions approved by independent shareholders:

8 Loan framework agreement between Beijing Franshion Sunac Property Development Co., Ltd. ("Franshion Sunac"), Shanghai Tuofeng Investment Consulting Co., Ltd. ("Shanghai Tuofeng"), Tianjin Sunac Aocheng Investment Co., Ltd. ("Tianjin Aocheng") and Beijing Sunac Hengji Property Co., Ltd. ("Beijing Hengji");

9 Renewed framework financial service agreement between the Company and Sinochem Finance Co., Ltd. ("Sinochem Finance").

For these continuing connected transactions, the Company confirmed that it had complied with the requirements under Chapter 14A of the Listing Rules. During the Year, when conducting these continuing connected transactions, the Company had complied with the pricing policies and guidelines formulated when such transactions were entered into. Set out below is a summary of all these transactions:

I. CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

1 *Framework lease agreement between Jin Mao Group and Sinochem Group Co., Ltd.*

In preparation for the separate listing of Jinmao Hotel on the Main Board of the Hong Kong Stock Exchange, on 13 June 2014, Jin Mao Group entered into a framework lease agreement with Sinochem Group Co., Ltd. with respect to the lease of the relevant units in Jin Mao Tower (the "Jin Mao Framework Lease Agreement"). The Jin Mao Framework Lease Agreement, which took effect upon the listing of Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited on 2 July 2014, is valid for a period of three years. For the three years ended 31 December 2016, the annual transaction caps (including rent, property management fee and other charges) amounted to approximately RMB97.6 million, RMB116.8 million and RMB145.4 million respectively.

On 7 December 2016, Jin Mao Group entered into a renewed framework lease agreement with Sinochem Group Co., Ltd. with respect to the lease of the relevant units in Jin Mao Tower (the "Renewed Jin Mao Framework Lease Agreement"). The Renewed Jin Mao Framework Lease Agreement, which took effect on 1 January 2017, is valid for a period of two years. For the two years ending 31 December 2018, the annual transaction caps (including rent, property management fee and other charges) are RMB59.7 million and RMB64.1 million respectively.

Jin Mao Group is a non wholly-owned subsidiary of the Company. Sinochem Group Co., Ltd. is the ultimate controlling shareholder of the Company and hence a connected person of the Company. Accordingly, the Jin Mao Framework Lease Agreement, the Renewed Jin Mao Framework Lease Agreement and the transactions contemplated under the specific lease contracts constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For the year ended 31 December 2017, the transaction amount did not exceed the annual cap.

Please refer to the sub-section under "Framework lease agreement between the Company and Sinochem Group Co., Ltd." below for further details.

2 *Framework lease agreement between the Company and Sinochem Group Co., Ltd.*

The Company and Sinochem Group Co., Ltd. entered into two framework lease agreements for lease of the relevant units in Beijing Chemsunny World Trade Centre and Sinochem Tower and Jin Mao Tower on 31 December 2008 and 31 July 2009, respectively (the "Original Framework Lease Agreements"). In order to streamline and optimise the regulation of the leasing relationship in respect of the relevant units in Beijing Chemsunny World Trade Centre, Sinochem Tower and Jin Mao Tower between the Company (and its subsidiaries) and Sinochem Group Co., Ltd. (and its associates), the Company entered into with Sinochem Group Co., Ltd. a comprehensive framework lease agreement (the "New Framework Lease Agreement") on 11 November 2011 in place of the two Original Framework Lease Agreements. The New Framework Lease Agreement was considered and approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 December 2011. The New Framework Lease Agreement is valid for a term of 10 years commencing from 1 January 2012. Pursuant to the New Framework Lease Agreement:

(1) The two Original Framework Lease Agreements shall be terminated on 31 December 2011 and the New Framework Lease Agreement shall take effect on 1 January 2012.

(2) Pursuant to the two Original Framework Lease Agreements, all the existing specific lease agreements in respect of the relevant units in Beijing Chemsunny World Trade Centre and Sinochem Tower in Beijing, China and the relevant units in Jin Mao Tower in Shanghai, China entered into between the Company (and its subsidiaries) and Sinochem Group Co., Ltd. (and its associates) respectively shall be included in and regulated by the New Framework Lease Agreement upon the termination of the Original Framework Lease Agreements.

(3) The rent under the New Framework Lease Agreement shall be determined based on the relevant specific lease agreements, which includes the property management fee of the relevant units and various miscellaneous expenses actually incurred, including but not limited to car park rental, car park management fee, car parking fee, water charge, electricity charge, gas charge, phone bill and overtime air-conditioning charge, maintenance fee and catering fee (if applicable). The rent shall be paid by lessees in accordance with the provisions of the specific lease agreements.

(4) On 3 November 2014, taking into consideration the estimated transaction amount under the Jin Mao Framework Lease Agreement (please refer to the section headed "Framework lease agreement between Jin Mao Group and Sinochem Group Co., Ltd." above for details), the annual caps (including rent, property management fee and other charges) prescribed by the Company for the two years ended 31 December 2016 with respect to the leased properties under the New Framework Lease Agreement were RMB443.6 million and RMB493.8 million, respectively.

(5) Given that the annual caps under the New Framework Lease Agreement were expired on 31 December 2016, on 7 December 2016, taking into consideration the estimated transaction amount under the Renewed Jin Mao Framework Lease Agreement (please refer to the section headed "Framework lease agreement between Jin Mao Group and Sinochem Group Co., Ltd." above for details), the annual caps (including rent, property management fee and other charges) prescribed by the Company for the two years ending 31 December 2018 with respect to the leased properties under the New Framework Lease Agreement would be RMB406.51 million and RMB448.37 million, respectively.

In 2017, details of the New Framework Lease Agreement and the transactions contemplated under the specific lease contracts are as follows:

	Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2017
1.	Two subsidiaries of Sinochem Group Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group		RMB	11,784,801
	1A Manulife-Sinochem Life Insurance Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2017 to 2020	RMB	10,299,058
	1B China Foreign Economy and Trade & Investment Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2017 to 2020	RMB	1,485,743

	Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2017
2.	Sinochem Group Co., Ltd. and its 12 subsidiaries	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group		RMB	234,141,417
	2A Sinochem Group Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	8,031,273
	2B Sinochem Corporation	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	93,167,099
	2C Sinochem Fertilizer Company Limited	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	20,965,291
	2D Sinochem Oil Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	22,636,382
	2E Sinochem International Industrial Company	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	1,925,906
	2F Sinochem Petroleum Exploration and Production Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	10,672,570
	2G China Foreign Economy and Trade & Investment Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	36,918,970
	2H Sinochem Finance Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	17,645,601
	2I New XCL (China) Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	1,178,230
	2J Sinochem Insurance Brokers (Beijing) Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	3,114,902
	2K Sinochem Agriculture Holdings Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	3,962,118
	2L Sinochem Petroleum Sales Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2017 to 2020	RMB	13,923,075

	Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2017
3.	12 subsidiaries of Sinochem Group Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group		RMB	58,253,322
	3A Sinochem Corporation	Lease of relevant units in Sinochem Tower from the Group	2007 to 2019	RMB	12,884,886
	3B Sinochem International Tendering Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2019	RMB	10,170,528
	3C Sinochem Plastics Company	Lease of relevant units in Sinochem Tower from the Group	2007 to 2019	RMB	9,609,985
	3D China National Seed Group Corp.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2019	RMB	6,750,777
	3E Manulife-Sinochem Life Insurance Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2006 to 2019	RMB	6,248,793
	3F Sinochem Energy-Saving and Environmental Protection Holdings (Beijing) Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2013 to 2019	RMB	637,761
	3G Sinochem International (Holdings) Co., Ltd., Beijing Branch	Lease of relevant units in Sinochem Tower from the Group	2007 to 2019	RMB	3,912,124
	3H China Foreign Economy and Trade & Investment Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2010 to 2019	RMB	3,485,259
	3I Sinochem Asset Management Company	Lease of relevant units in Sinochem Tower from the Group	2013 to 2019	RMB	4,135,030
	3J Sinochem Petrochemical Sales Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2017 to 2018	RMB	226,940
	3K Sinochem Agriculture Holdings Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2017 to 2020	RMB	73,166
	3L Sinochem Information Technology Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2017 to 2020	RMB	118,073
Total				RMB	304,179,540

Sinochem Group Co., Ltd. is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company. Accordingly, the New Framework Lease Agreement and the transactions contemplated under the specific lease contracts constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For the year ended 31 December 2017, the transaction amount did not exceed the annual cap.

3 *Entrustment loan framework agreement between Hangzhou Properties, Sky Power Properties and Sinochem Lantian*

On 26 February 2016, Hangzhou Properties entered into a framework agreement with its shareholders, namely Sky Power Properties and Sinochem Lantian (the "Hangzhou Framework Agreement"), pursuant to which Hangzhou Properties agreed to provide entrustment loans to Sky Power Properties and Sinochem Lantian (or their respective designated loan receiving entities) based on the same terms and conditions and in proportion to their respective shareholdings in Hangzhou Properties. Under the Hangzhou Framework Agreement, the actual interest rate of each of the entrustment loans shall be determined by reference to the one-year RMB benchmark loan interest rate for financial institutions published by the PBOC from time to time, subject to a floating range of 50% higher or lower than such rate. The parties shall enter into entrustment loan agreements with relevant financial institutions separately according to the terms and conditions set out in the Hangzhou Framework Agreement. The Hangzhou Framework Agreement shall be valid for three years. During the term of the Hangzhou Framework Agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by Hangzhou Properties to Sinochem Lantian (or its designated loan receiving entity) will be RMB700 million. For the year ended 31 December 2017, the transaction amount did not exceed the annual cap.

Hangzhou Properties is an indirect non wholly-owned subsidiary of the Company. Sinochem Lantian is owned as to approximately 51% by Sinochem Group Co., Ltd., which is the ultimate holding company of the Company. Accordingly, it is a connected person of the Company. As such, the transaction in relation to the provision of entrustment loans by Hangzhou Properties to Sinochem Lantian (or its designated loan receiving entity) constitutes the provision of financial assistance by the Company to a connected person, and therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

4 *Entrustment loan framework agreement between Shanghai Yin Hui, the Company and SIPG*

On 25 June 2014, Shanghai Yin Hui entered into a framework agreement with its shareholders, namely the Company and SIPG (the "Original Yin Hui Framework Agreement"), pursuant to which Shanghai Yin Hui agreed to provide entrustment loans to the Company and SIPG (or their respective designated subsidiaries) based on the same terms and conditions and in proportion to their respective shareholdings in Shanghai Yin Hui. During the term of the Original Yin Hui Framework Agreement, the maximum daily balance (including accrued interest) provided by Shanghai Yin Hui to SIPG (including its designated subsidiaries) was RMB1,600 million. The Original Yin Hui Framework Agreement was expired on 24 June 2017. On 20 April 2017, Shanghai Yin Hui entered into a new framework agreement with the Company and SIPG (the "New Yin Hui Framework Agreement") in place of the Original Yin Hui Framework Agreement in order to revise the maximum daily balance and interest rate of the loans to be provided by Shanghai Yin Hui. Under the New Yin Hui Framework Agreement, the actual interest rate of each of the entrustment loans shall be determined by reference to the one-year RMB benchmark loan interest rate for financial institutions published by the PBOC, subject to a floating range of 50% higher or lower than such rate. The parties shall enter into entrustment loan agreements with relevant financial institutions separately according to the terms and conditions set out in the New Yin Hui Framework Agreement. The New Yin Hui Framework Agreement shall be valid for a term of three years. During the term of the New Yin Hui Framework Agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by Shanghai Yin Hui to SIPG (including its designated subsidiaries) is RMB800 million. During the period between 1 January 2017 and 24 June 2017 and the period between 25 June 2017 and 31 December 2017, the transaction amount did not exceed their respective annual caps.

As at the execution of the Original Yin Hui Framework Agreement and the New Yin Hui Framework Agreement, Shanghai Yin Hui, owned as to 50% by each of the Company and SIPG, is a non wholly-owned subsidiary of the Company. SIPG is the substantial shareholder of Shanghai Yin Hui and is therefore a connected person of the Company at the subsidiary level. Accordingly, the transaction in relation to the provision of entrustment loans by Shanghai Yin Hui to SIPG (or its designated subsidiaries) constitutes the provision of financial assistance by the Company to a connected person at the subsidiary level, and therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to a supplemental agreement entered into by and between the Company, SIPG and Shanghai Yin Hui on 20 November 2017, as a result of the Company's acquisition of 50% equity interest in Shanghai Yin Hui from SIPG (see details in the paragraph headed "Acquisition of the equity interest in Shanghai Yin Hui and SISSC" below), SIPG shall make one-time payment of the outstanding principal amount of all the entrustment loans and the interest thereon due to Shanghai Yin Hui under the New Yin Hui Framework Agreement within the period stipulated under the supplemental agreement, and from the date of entering into the supplemental agreement, Shanghai Yin Hui shall cease to provide entrustment loans to the Company and SIPG.

5 *Entrustment loan framework agreement between SISSC, the Company and SIPG*

On 20 April 2017, SISSC entered into a framework agreement with the Company and SIPG (the "SISSC Framework Agreement"), pursuant to which SISSC agreed to provide entrustment loans to the Company and SIPG (or its designated subsidiaries) based on the same terms and conditions and in proportion to their respective shareholdings in SISSC. Under the SISSC Framework Agreement, the actual interest rate of each of the entrustment loans shall be determined by reference to the one-year RMB benchmark loan interest rate for financial institutions published by the PBOC, subject to a floating range of 50% higher or lower than such rate. The parties shall enter into entrustment loan agreements with relevant financial institutions separately according to the terms and conditions set out in the SISSC Framework Agreement. The SISSC Framework Agreement shall be valid for three years. During the term of the SISSC Framework Agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by SISSC to SIPG (or its designated subsidiaries) will be RMB2,000 million. For the year ended 31 December 2017, the transaction amount did not exceed the annual cap.

As at the execution of the SISSC Framework Agreement, SISSC is a non wholly-owned subsidiary of the Company held by the Company and SIPG as to 50% and 50% respectively. SIPG is the substantial shareholder of SISSC and is therefore a connected person of the Company at the subsidiary level. Accordingly, the transaction in relation to the provision of entrustment loans by SISSC to SIPG (or its designated subsidiaries) constitutes the provision of financial assistance by the Company to a connected person at the subsidiary level, and therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to a supplemental agreement entered into by and between the Company, SIPG and SISSC on 20 November 2017, as a result of the Company's acquisition of 50% equity interest in SISSC from SIPG (see details in the paragraph headed "Acquisition of the equity interest in Shanghai Yin Hui and SISSC" below), SIPG shall make one-time payment of the outstanding principal amount of all the entrustment loans and the interest thereon due to SISSC under the SISSC Framework Agreement within the period stipulated under the supplemental agreement, and from the date of entering into the supplemental agreement, SISSC shall cease to provide entrustment loans to the Company and SIPG.

6 Entrustment loan framework agreement between Jinmao Changsha, Jinmao Development and CSC Changsha

On 25 June 2014, Jinmao Changsha entered into a framework agreement with its shareholders, namely Jinmao Development and CSC Changsha (the "Original Changsha Framework Agreement"), pursuant to which Jinmao Changsha agreed to provide entrustment loans to Jinmao Development (or its designated non-connected subsidiaries of the Company) and CSC Changsha (or any one of its designated shareholders) based on the same terms and conditions and in proportion to their respective shareholdings in Jinmao Changsha. During the term of the Original Changsha Framework Agreement, the maximum daily balance (including accrued interest) provided by Jinmao Changsha to CSC Changsha (including any one of its designated shareholders) was RMB1,200 million. The Original Changsha Framework Agreement was expired on 24 June 2017. On 5 June 2017, Jinmao Changsha entered into a new framework agreement with Jinmao Development and CSC Changsha (the "New Changsha Framework Agreement"), pursuant to which Jinmao Changsha shall continue to provide entrustment loans to Jinmao Development (or its designated non-connected subsidiaries of the Company) and CSC Changsha (or any one of its designated shareholders) during the term of the New Changsha Framework Agreement. Under the New Changsha Framework Agreement, the actual interest rate of each of the loans shall be determined by reference to the one-year RMB benchmark loan interest rate for financial institutions published by the PBOC, subject to a floating range of 50% higher or lower than such rate. The parties shall enter into entrustment loan agreements with relevant financial institutions separately according to the terms and conditions set out in the New Changsha Framework Agreement. The New Changsha Framework Agreement shall be valid for three years with effect from 25 June 2017. During the term of the New Changsha Framework Agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by Jinmao Changsha to CSC Changsha (or any one of its designated shareholders) will be RMB1,000 million. During the period between 1 January 2017 and 24 June 2017 and the period between 25 June 2017 and 31 December 2017, the transaction amount did not exceed their respective the annual caps.

Jinmao Development is a wholly-owned subsidiary of the Company. Jinmao Changsha, owned as to 80% and 20% respectively by Jinmao Development and CSC Changsha, is a non wholly-owned subsidiary of the Company. CSC Changsha is the substantial shareholder of Jinmao Changsha and is therefore a connected person of the Company at the subsidiary level. Accordingly, the transaction in relation to the provision of entrustment loans by Jinmao Changsha to CSC Changsha (or any one of its designated shareholders) constitutes the provision of financial assistance by the Company to a connected person at the subsidiary level, and therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

7 *Entrustment loan framework agreement between Jin Yue Properties, Changsha Jinmao and Meixi Lake Investment*

On 14 December 2017, Jin Yue Properties entered into a framework agreement with its shareholders, namely Changsha Jinmao and Meixi Lake Investment (the "Jin Yue Framework Agreement"), pursuant to which Jin Yue Properties agreed to provide entrustment loans to Changsha Jinmao (or its designated non-connected subsidiaries of the Company) and Meixi Lake Investment (or any one of its designated shareholders) based on the same terms and conditions and in proportion to their respective shareholdings in Jin Yue Properties. Under the Jin Yue Framework Agreement, the actual interest rate of each of the loans shall be determined by reference to the one-year RMB benchmark loan interest rate for financial institutions published by the PBOC, subject to a floating range of 50% higher or lower than such rate. The parties shall enter into entrustment loan agreements with relevant financial institutions separately according to the terms and conditions set out in the Jin Yue Framework Agreement. The Jin Yue Framework Agreement shall be valid for three years. During the term of the Jin Yue Framework Agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by Jin Yue Properties to Meixi Lake Investment (or any one of its designated shareholders) will be RMB500 million. For the year ended 31 December 2017, the transaction amount did not exceed the annual cap.

Changsha Jinmao is an indirect wholly-owned subsidiary of the Company. Jin Yue Properties, owned as to 70% and 30% respectively by Changsha Jinmao and Meixi Lake Investment, is an indirect non wholly-owned subsidiary of the Company. Meixi Lake Investment is the substantial shareholder of Jin Yue Properties and is therefore a connected person of the Company at the subsidiary level. Accordingly, the transaction in relation to the provision of entrustment loans by Jin Yue Properties to Meixi Lake Investment (or any one of its designated shareholders) constitutes the provision of financial assistance by the Company to a connected person at the subsidiary level, and therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

II. CONTINUING CONNECTED TRANSACTIONS APPROVED BY INDEPENDENT SHAREHOLDERS

8 *Loan framework agreement between Franshion Sunac, Shanghai Tuofeng, Tianjin Aocheng and Beijing Hengji*

On 15 October 2013, Franshion Sunac entered into a framework agreement with its shareholders, namely Shanghai Tuofeng, Tianjin Aocheng and Beijing Hengji (the "Original Sunac Framework Agreement"), pursuant to which Franshion Sunac agreed to provide loans to Shanghai Tuofeng, Tianjin Aocheng and Beijing Hengji based on the same terms and conditions and in proportion to their respective shareholdings in Franshion Sunac. On 25 June 2014, Franshion Sunac entered into a new framework agreement with Shanghai Tuofeng, Tianjin Aocheng and Beijing Hengji (the "New Sunac Framework Agreement") in place of the Original Sunac Framework Agreement in order to, inter alia, revise the maximum daily balance and interest rate of the loans to be provided by Franshion Sunac. The Original Sunac Framework Agreement has been terminated upon entering into the New Sunac Framework Agreement, and all the existing loan agreements entered into by the parties pursuant to the Original Sunac Framework Agreement are included in and regulated by the New Sunac Framework Agreement. Under the New Sunac Framework Agreement, the actual interest rates of each of the loans shall be the prevailing benchmark interest rates of RMB demand deposits for financial institutions published by the PBOC. As Tianjin Aocheng and Beijing Hengji are owned by the same effective controller, Tianjin Aocheng agreed to designate Beijing Hengji to receive on its behalf the loans to be provided by Franshion Sunac to Tianjin Aocheng under the New Sunac

Framework Agreement. Tianjin Aocheng and Beijing Hengji are jointly and severally liable for the repayment of the loans (including the accrued interest) received by Beijing Hengji on behalf of Tianjin Aocheng. Franshion Sunac shall enter into specific loan agreements separately with Shanghai Tuofeng and Beijing Hengji according to the terms and conditions set out in the New Sunac Framework Agreement. The New Sunac Framework Agreement is valid for a term of three years ending on 24 June 2017. During the term of the New Sunac Framework Agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by Franshion Sunac to Tianjin Aocheng and Beijing Hengji is RMB1,200 million. During the period between 1 January 2017 and 24 June 2017, the transaction amount did not exceed the annual cap.

Shanghai Tuofeng is a wholly-owned subsidiary of the Company. Franshion Sunac, owned as to 51%, 24% and 25% by Shanghai Tuofeng, Tianjin Aocheng and Beijing Hengji respectively, is a non wholly-owned subsidiary of the Company. Tianjin Aocheng and Beijing Hengji are the substantial shareholders of Franshion Sunac and are therefore connected persons of the Company. Accordingly, the transaction in relation to the provision of loans by Franshion Sunac to Tianjin Aocheng and Beijing Hengji constitutes the provision of financial assistance by the Company to connected persons, and therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. A written consent has been obtained from Sinochem Hong Kong (the immediate controlling shareholder of the Company) in respect of the New Sunac Framework Agreement.

9 Renewed framework financial service agreement between the Company and Sinochem Finance

On 3 November 2014, the Company and Sinochem Finance entered into a framework financial service agreement (the "Framework Financial Service Agreement"), pursuant to which the Company and its subsidiaries, as they considers necessary, use the financial services provided by Sinochem Finance on a non-exclusive basis, including deposit and loan services, entrustment loans, settlement services, guarantee services, internet banking services and any other financial services as approved by the China Banking Regulatory Commission, and pay the relevant interests and service fees to or receive deposit interest from Sinochem Finance. The relevant fees and loan interest shall be determined at a rate no higher than the standards as set by the PBOC from time to time or market price, and the deposit interest shall be determined at a rate no lower than the benchmark interest rate as promulgated by the PBOC from time to time or market price. The settlement services are provided free of charge. During the valid term of the Framework Financial Service Agreement, the cap on the maximum daily balance for deposits of the Group at Sinochem Finance was RMB2,800 million. The deposit service under the Framework Financial Service Agreement (including the maximum daily balance) was considered and approved at the extraordinary general meeting of the Company held on 5 December 2014. The Framework Financial Service Agreement was expired on 3 December 2017.

On 2 November 2017, the Company and Sinochem Finance entered into the renewed framework financial agreement (the "Renewed Framework Financial Agreement"), pursuant to which the Company and its subsidiaries will, as they consider necessary, continue to use the financial services provided by Sinochem Finance on a non-exclusive basis for a term of three years. During the valid term of the Renewed Framework Financial Service Agreement, the cap on the maximum daily balance for deposits of the Group at Sinochem Finance shall be RMB6,000 million. The deposit service under the Renewed Framework Financial Service Agreement (including the maximum daily balance) was considered and approved at the extraordinary general meeting of the Company held on 8 December 2017.

Sinochem Finance is an indirect subsidiary of Sinochem Group Co., Ltd., the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. The provision of financial services to the Company by Sinochem Finance constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. For the year ended 31 December 2017, the transaction amount did not exceed the annual cap.

CONNECTED TRANSACTIONS

During the Period under Review and as at the date of this report, the one-time connected transactions of the Company include:

1 Disposal of the equity interest in Shanghai Xingwaitan

As stated in the announcements of the Company dated 20 October 2017, 21 November 2017 and 28 December 2017, on 21 November 2017, an official disclosure was made on the Shanghai United Assets and Equity Exchange by the Company in relation to the proposed disposal of 50% equity interest in Shanghai Xingwaitan Development and Construction Limited ("Shanghai Xingwaitan"). SIPG won the bid for the 50% equity interest in Shanghai Xingwaitan at a consideration of RMB5,998,007,350 through the listing-for-sale process organised by the Assets and Equity Exchange. On 28 December 2017, Loyal Power Properties Limited ("Loyal Power", a wholly-owned subsidiary of the Company) and SIPG entered into the equity transfer agreement in relation to the disposal. Immediately prior to the completion of the disposal, Shanghai Xingwaitan, in which Loyal Power and SIPG each holds 50% equity interest, is an indirect non-wholly owned subsidiary of the Company. Upon completion of the disposal, SIPG will hold 100% equity interest in Shanghai Xingwaitan.

Prior to completion of the disposal, Shanghai Xingwaitan is an indirect non-wholly owned subsidiary of the Company. SIPG is a substantial shareholder of Shanghai Xingwaitan and is therefore a connected person of the Company at the subsidiary level. Accordingly, the disposal constitutes a connected transaction between the Group and a connected person at the subsidiary level under Chapter 14A of the Listing Rules. Given that (i) the Board has approved the disposal, and (ii) the independent non-executive Directors have confirmed that the terms of the disposal are fair and reasonable, and the disposal is on normal or more favourable commercial terms or better and in the interests of the Company and its shareholders as a whole, the disposal is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the disposal are more than 5% but less than 25%, the disposal also constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. On 31 December 2017, Loyal Power and SIPG handed over the management matters with respect to Shanghai Xingwaitan. The procedures for the change in registration with the administration for industry and commerce bureau in relation to the disposal are expected to be completed in 2018.

2 Acquisition of the equity interest in Shanghai Yin Hui and SISSC

As stated in the announcements of the Company dated 20 October 2017, 13 December 2017 and 12 January 2018, on 13 December 2017, SIPG has made a formal disclosure on the Shanghai United Assets and Equity Exchange with respect to its proposed disposal of the 50% equity interest in each of Shanghai Yin Hui and SISSC. Changsha Rongmao Enterprise Management Co., Ltd. ("Changsha Rongmao"), a wholly-owned subsidiary of the Company, won the bid for the 50% equity interest in each of Shanghai Yin Hui and SISSC at a consideration of RMB2,857,681,300 in aggregate through the listing-for-sale process organised by the Assets and Equity Exchange. On 12 January 2018, Changsha Rongmao and SIPG entered into the equity transfer agreement in relation to Changsha Rongmao's acquisition of the 50% equity interest in each of Shanghai Yin Hui and SISSC from SIPG. Prior to the completion of the aforesaid acquisition, Shanghai Yin Hui and SISSC (being non wholly-owned subsidiaries of the Company) are held as to 50% equity interest respectively by the Company and SIPG. Upon completion of the acquisition, the Group will hold 100% equity interest in each of Shanghai Yin Hui and SISSC.

Prior to the completion of the acquisition, Shanghai Yin Hui and SISSC are non wholly-owned subsidiaries of the Company. SIPG is a substantial shareholder of Shanghai Yin Hui and SISSC and is therefore a connected person of the Company at the subsidiary level. Accordingly, the acquisition above constitutes a connected transaction between the Group and a connected person at the subsidiary level under Chapter 14A of the Listing Rules. Given that (i) the Board has approved the acquisition, and (ii) the independent non-executive Directors have confirmed that the terms of the acquisition are fair and reasonable, and the acquisition is on normal or more favourable commercial terms and in the interests of the Company and its shareholders as a whole, the acquisition above is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the acquisition above on an aggregated basis are more than 25% but less than 100%, the acquisition shall also constitute a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company has obtained a written approval in respect of the acquisition from Sinochem Hong Kong, the immediate controlling shareholder of the Company. The aforesaid transaction is expected to be completed in 2018.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In the opinion of the independent non-executive Directors of the Company, the continuing connected transactions for the year ended 31 December 2017 were entered into by the Group:

- in the ordinary and usual course of its business;
- on normal commercial terms; and
- in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has been engaged to report on the above continuing connected transactions of the Company in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board of Directors has received an unqualified letter from the auditor of the Company in accordance with Rule 14A.56 of the Listing Rules, stating that the auditor has not noticed that any of these continuing connected transactions:

- have not been approved by the Board of Directors of the Company;
- for the connected transactions involving the provision of goods or services by the Group have not been entered into in accordance with the pricing policies of the Group in all material aspects;
- have not been entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions in all material aspects; and
- have exceeded the relevant caps for the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in the "Share Capital and Share Options" and the "Issuance of Notes" below under the section headed "Report of the Directors" in this report, during the Period under Review, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ISSUANCE OF NOTES

1 Issuance of subordinated guaranteed perpetual capital securities

As stated in the announcements of the Company dated 10 January 2017, 18 January 2017, 20 January 2017 and 10 February 2017, the Company together with Franshion Brilliant Limited (a wholly-owned subsidiary of the Company) as the issuer entered into a placement agency agreement with Goldman Sachs (Asia) L.L.C. and The Hongkong and Shanghai Banking Corporation Limited as the placing agents in connection with the placement of the 5.75% subordinated guaranteed perpetual capital securities with the aggregate principal amount of US$200,000,000, and entered into a purchase agreement with Goldman Sachs (Asia) L.L.C. as the initial purchaser in connection with the placement of the 5.75% subordinated guaranteed perpetual capital securities with the aggregate principal amount of US$300,000,000. These securities are guaranteed by the Company and the issuance was completed on 17 January 2017. The net proceeds from the placement and issuance of these securities, after deduction of commissions and other estimated expenses, amounted to approximately US$493.8 million. As at the date of this report, US$350 million of the proceeds were used to repay borrowings and the rest of the proceeds were used to redeem the principal amount of the perpetual subordinated convertible securities issued by Franshion Capital Limited and for distribution. These securities were listed and traded on the Hong Kong Stock Exchange on 23 January 2017. As at the date of this report, the Group did not redeem or cancel any of these securities.

2 Repurchase of senior guaranteed notes and issuance of new notes

As stated in the announcements of the Company dated 21 February 2017, 22 February 2017, 1 March 2017,3 March 2017 and 5 March 2017, the Company offered to repurchase in cash the 4.70% senior guaranteed notes due 2017 issued by Franshion Investment Limited (a wholly-owned subsidiary of the Company) (which were listed on the Hong Kong Stock Exchange) with the outstanding principal amount of US$500,000,000, and has made an offer to the holders to repurchase any and all of their notes at the purchase price together with accrued interest payments subject to the conditions set forth in the tender offer memorandum. The Company has appointed The Hongkong and Shanghai Banking Corporation Limited as the sole dealer manager, and D.F. King Ltd. as the tender agent in relation to the offer. The purpose of the offer is to improve and extend the Company's debt maturity profile and reduce the Company's financing costs and is part of the Company's liability management programme. The Company has accepted all the notes with the principal amount of US$305,860,000 validly tendered for purchase under the offer. Following settlement of the offer, outstanding notes amounted to US$194,140,000.

On 22 February 2017, the Company entered into a purchase agreement with The Hongkong and Shanghai Banking Corporation Limited, DBS Bank Ltd., Goldman Sachs (Asia) L.L.C., Standard Chartered Bank, Bank of Communications Co., Ltd., Hong Kong Branch and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch as initial purchasers in respect of the subscription and sale of the 3.60% senior guaranteed notes due 2022 with the principal amount of US$500,000,000 issued by Franshion Brilliant Limited.

These notes are guaranteed by the Company and the issuance was completed on 3 March 2017. The net proceeds from the issuance of these notes amounted to approximately US$499.775 million. As at the date of this report, US$317.81 million of the proceeds were used to repurchase the US dollar denominated senior guaranteed notes due in 2017 issued by Franshion Investment Limited and the rest of the proceeds were used to redeem the principal amount of the perpetual subordinated convertible securities issued by Franshion Capital Limited and for distribution. These notes were listed and traded on the Hong Kong Stock Exchange from 6 March 2017. As at the date of this report, the Group did not redeem or cancel any of these notes.

3 Issue of the first batch of the first tranche of the domestic unsecured medium-term notes

As stated in the announcements of the Company dated 15 December 2016, 6 April 2017 and 13 April 2017, the Company (as the issuer) completed the issue of the first batch of the first tranche of medium-term notes with the principal amount of RMB2,500,000,000 to qualified investors on 13 April 2017. The notes are unsecured and have a term of 3 years with a final coupon rate of 4.65%. As at the date of this report, RMB980,000,000 of the proceeds were used to repay bank borrowings and the remaining proceeds of RMB1,520,000,000 were used for domestic project development and construction of the Company.

4 Repurchase of senior guaranteed notes and issue of senior guaranteed perpetual capital securities

As stated in the announcements of the Company dated 21 June 2017, 23 June 2017, 29 June 2017 and 3 July 2017, the Company offered to repurchase in cash any and all of the 5.375% senior guaranteed notes due 2018 (which were listed on the Hong Kong Stock Exchange) issued by Franshion Brilliant Limited with the outstanding principal amount of US$300,000,000, and has made an offer to the holders to repurchase any and all of their notes at the purchase price together with accrued interest payments subject to the conditions set forth in the tender offer memorandum. The Company has appointed Standard Chartered Bank and The Hongkong and Shanghai Banking Corporation Limited as the joint dealer managers, and D.F. King Ltd. as the tender agent in relation to the offer. The purpose of the offer is to prudently manage and extend the Company's debt maturity profile as part of the Company's ongoing liability management strategy. The Company has accepted all the notes with the principal amount of US$168,891,000 validly tendered for purchase under the offer. Following settlement of the offer, outstanding notes amounted to US$131,109,000.

On 22 June 2017, the Company together with Franshion Brilliant Limited (as the issuer) entered into a purchase agreement with Standard Chartered Bank, DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited, Goldman Sachs (Asia) L.L.C., Bank of Communications Co., Ltd., Hong Kong Branch, CMB International Capital Limited and China International Capital Corporation Hong Kong Securities Limited as initial purchasers in respect of the subscription and sale of the 4.00% senior guaranteed perpetual capital securities with the principal amount of US$300,000,000. These securities are guaranteed by the Company and the issuance was completed on 3 July 2017. The net proceeds from the issuance of these securities (after deducting relevant expenses but prior to deducting any discount or commission for the initial purchasers) amounted to approximately US$299.2 million. As at the date of this report, US$177.6 million of the proceeds were used to repay the US dollar denominated senior guaranteed notes due in 2018 issued by Franshion Brilliant Limited and the remaining proceeds of approximately US$120 million were used to repay borrowings. As at the date of this report, the Group did not redeem or cancel any of these securities.

As stated in the announcements of the Company dated 24 August 2017, 1 September 2017, 8 September 2017 and 15 September 2017, on 24 August 2017, the Company together with Franshion Brilliant Limited (as the issuer) entered into a purchase agreement with Goldman Sachs (Asia) L.L.C. (as the initial purchaser) in respect of the subscription and sale of the 4.00% senior guaranteed perpetual capital securities with the principal amount of US$200,000,000. These securities are guaranteed by the Company and the issuance was completed on 1 September 2017. The issue price of these securities represents 100.091% of the principal amount, plus accrued distributions from 3 July 2017. The net proceeds from the issuance of these securities (after deducting relevant expenses but prior to deducting any discount or commission for the initial purchaser) amounted to approximately US$201.0 million. As at the date of this report, US$198.7 million of the proceeds were used to repurchase the US dollar denominated senior guaranteed notes due in 2017 issued by Franshion Investment Limited. These securities were listed and traded on the Hong Kong Stock Exchange from 11 September 2017. On 19 October 2017 (London time), these securities have been consolidated and formed a single series with the 4.00% senior guaranteed perpetual capital securities with the principal amount of US$300,000,000 issued by Franshion Brilliant Limited on 3 July 2017. As at the date of this report, the Group did not redeem or cancel any of these securities.

5 Issue of the first batch of the second tranche of the domestic unsecured medium-term notes

As stated in the announcements of the Company dated 15 December 2016, 4 July 2017 and 11 July 2017, the Company (as the issuer) completed the issue of the first batch of the second tranche of medium-term notes with the principal amount of RMB2,500,000,000 to qualified investors on 10 July 2017. The notes are unsecured and have a term of 3 years with a final coupon rate of 4.78%. As at the date of this report, all of the proceeds were used to repay bank borrowings.

6 Issue of subordinated guaranteed perpetual capital securities

As stated in the announcements of the Company dated 30 October 2017, 31 October 2017, 6 November 2017 and 23 November 2017, on 30 October 2017, the Company together with Franshion Brilliant Limited (as the issuer) entered into a purchase agreement with Goldman Sachs (Asia) L.L.C. and Standard Chartered Bank as initial purchasers in respect of the subscription and sale of the 4.875% subordinated guaranteed perpetual capital securities with the principal amount of US$300,000,000. These securities are guaranteed by the Company and the issuance was completed on 6 November 2017. The net proceeds from the issuance of these securities (after deducting relevant expenses but prior to deducting any discount or commission for the initial purchasers) amounted to approximately US$299.4 million. As at the date of this report, the proceeds of approximately US$90 million were used to pay the special interim dividend and approximately US$190 million were used to repay the borrowings. These securities were listed and traded on the Hong Kong Stock Exchange from 24 November 2017. As at the date of this report, the Group did not redeem or cancel any of these securities.

7 Issue of RMB denominated senior guaranteed notes

As stated in the announcements of the Company dated 1 March 2018 and 8 March 2018, on 1 March 2018, the Company together with Franshion Brilliant Limited (as the issuer) entered into a purchase agreement with Standard Chartered Bank as the initial purchaser in respect of the subscription and sale of the 5.20% senior guaranteed notes with the principal amount of RMB1,250,000,000. These notes are guaranteed by the Company and the issuance was completed on 8 March 2018. The net proceeds from the issuance of these notes (after deducting relevant expenses but prior to deducting any discount or commission for the initial purchaser) amounted to approximately RMB1,243.6 million. The Company intends to use all of the net proceeds to repay the borrowings. These notes were listed and traded on the Hong Kong Stock Exchange from 9 March 2018. As at the date of this report, the Group did not redeem or cancel any of these notes.

REVIEW OF THE OPTION OVER SHIMAO INVESTMENT BY THE INDEPENDENT BOARD COMMITTEE

A written resolution was entered into by the Independent Board Committee comprising all independent non-executive Directors of the Company on 23 March 2018 to review its decision made on 4 August 2017 not to exercise, for the time being, the option to acquire Sinochem Group Co., Ltd.'s 15% interest in China Shimao Investment Company Limited ("Shimao Investment").

The Independent Board Committee has carefully reviewed the relevant information of Shimao Investment, taking into account the facts that Sinochem Group Co., Ltd. is a financial investor of Shimao Investment and owns a minority and passive interest in it only, and that the Company currently has a relatively high overall total debt position and the funds of the Company should be mainly used for expanding the land reserve for development segments to accelerate the asset turnover ratio and the recovery of cash receivables. Recently, the Company has made significant progress in land reserve and the projects recently acquired by the Company, including the land parcel in Nanjing Southern Hexi Yuzui Financial Service Cluster, the land parcel no. 2016-045 in Wuhou New City, Chengdu, the land parcel no. HK314-05 in North Bund, Hongkou, Shanghai, and the three land parcels nos. C-05a in Bandao start area, Wenzhou, all require capital investment. In addition, Phase I and Phase II development of Changsha Meixi Lake International New City Project are large-scale development projects with long development cycle and huge demand for funds. The Company considers that the acquisition of Shimao Investment at the moment would pose greater challenges to the Company in various aspects, including manpower and financial capacity. As such, the independent non-executive Directors unanimously agreed that the exercise of the option over Shimao Investment at this moment is not in line with the Company's prudent investment policy, and is not in the best interests of the Company and the shareholders as a whole.

The Independent Board Committee unanimously resolved not to exercise the option to acquire Sinochem Group Co., Ltd.'s 15% interest in Shimao Investment at this moment. As disclosed in the prospectus and the announcement dated 9 April 2010 of the Company, the Independent Board Committee would continue to review the option over Shimao Investment at the time when the interim and annual reports of the Company are to be released.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the auditor of the Company the accounting principles and practices adopted by the Company, and discussed with them the audit, internal control and financial reporting matters of the Company, including review of the financial statements for 2017. The 2017 financial statements prepared in accordance with Hong Kong Financial Reporting Standards were audited by Ernst & Young based on the Hong Kong Standards on Auditing. Ernst & Young issued unqualified opinion on the 2017 financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Period under Review, the material acquisitions and disposals entered into by the Company include the following:

1 Acquisition of 40% interest in Jinhui Rongxin

On 31 March 2017, Guangzhou Jinmao Properties Co., Ltd. ("Guangzhou Jinmao"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Fuzhou Ronghui Real Estate Co., Ltd. ("Fuzhou Ronghui"), pursuant to which, Fuzhou Ronghui has agreed to sell and Guangzhou Jinmao has agreed to acquire 40% equity interest in Fuzhou Jinhui Rongxin Real Estate Co, Ltd. ("Jinhui Rongxin") at nil consideration; Fuzhou Ronghui has also agreed to transfer at fair price its debt equity of RMB1,710.40 million in Jinhui Rongxin to Guangzhou Jinmao, as well as an accrued interest of RMB6,461,511.11 under such debt equity. Upon completion of the transaction, Guangzhou Jinmao holds 40% equity interest in Jinhui Rongxin, and Jinhui Rongxin is not a subsidiary of Guangzhou Jinmao.

As the applicable percentage of the transaction exceeds 5% but is less than 25%, according to Chapter 14 of the Listing Rules, the transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement. For details of the transaction, please refer to the announcement entitled "Discloseable Transaction – Acquisition of 40% Equity Interest in Jinhui Rongxin" published by the Company on 31 March 2017. The transaction was completed on 1 April 2017.

2 **Deemed disposal of the equity interest in Suzhou Anmao**

On 25 August 2017, Beijing Jiamao Properties Co., Ltd. ("Jiamao Properties"), a wholly-owned subsidiary of the Company, entered into a capital increase agreement with Beijing Capital Development Co., Ltd. ("BCDC"), Suzhou Industrial Park Yuejin Real Estate Co., Ltd. ("Suzhou Yuejin") and China Merchants Property (Suzhou) Co., Ltd. ("Merchants Suzhou"), pursuant to which BCDC, Suzhou Yuejin and Merchants Suzhou agreed to contribute an aggregate amount of RMB2,206,730,760 to Suzhou Anmao Properties Co., Ltd. ("Suzhou Anmao"). Prior to the transaction, Suzhou Anmao was held as to 52% by Jiamao Properties, 16% by BCDC, 16% by Suzhou Yuejin and 16% by Merchants Suzhou, respectively. Upon completion of the transaction, Suzhou Anmao will be held as to 26.5% by Jiamao Properties, 24.5% by BCDC, 24.5% by Suzhou Yuejin and 24.5% by Merchants Suzhou, respectively.

Jiamao Properties is a wholly-owned subsidiary of the Company. Upon completion of the transaction, the equity interest in Suzhou Anmao held by Jiamao Properties will be diluted from 52% to 26.5%. Accordingly, the transaction constitutes a deemed disposal of equity interest in Suzhou Anmao under the Listing Rules. As the applicable percentage of the transaction exceeds 5% but is less than 25%, the transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules. For details of the transaction, please refer to the announcement entitled "Discloseable Transaction – Deemed Disposal of Equity Interests in Suzhou Anmao" published by the Company on 25 August 2017. The transaction was completed on 5 September 2017.

MATERIAL LITIGATION

For the year ended 31 December 2017, the Company was not subject to any material litigation that could have an adverse impact on the Company.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed under the sections headed "Share Capital and Share Options" and "Connected Transactions" under the "Report of the Directors" in this report, there were no material events of the Group after the Period under Review.

AUDITOR

The financial statements of the Group have been audited by Ernst & Young, who has offered itself for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Ernst & Young as the auditor of the Company. The Company did not change its auditor in the past three years.

On Behalf of the Board
NING Gaoning
Chairman

Independent Auditor's Report

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To the members of China Jinmao Holdings Group Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Jinmao Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 158 to 275, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revaluation of investment properties	
The Group adopted the fair value model for its investment properties in accordance with HKAS 40 *Investment Property*. Changes in fair values were recorded in profit or loss. The Group's investment properties were revalued individually based on the valuations performed by independent qualified appraisers as at 31 December 2017. Different valuation techniques were applied to different types of investment properties. As both the year-end balance of RMB27,812,347,000 and the changes in fair value of RMB72,104,000 were significant, and the valuation involved management judgement and estimates based on a projection of future rental income, growth rate, vacancy rate, discount rate and reversionary yield, we considered the revaluation of investment properties a key audit matter of our audit. Relevant disclosures are included in notes 3 and 17 to the consolidated financial statements.	We considered the competence, capabilities and objectivity of the external appraisers. We involved our real estate valuation specialists to assist us in evaluating the valuation techniques and assessing the underlying assumptions for selected samples. We compared market rental assumptions against actual rents of existing lease contracts and external market rents, expected vacancy rate against historical data maintained by the Group, and the discount rate, growth rate and reversionary yield against those of peers with similar nature and area of properties. We also assessed the adequacy of the disclosures of investment properties, including valuation sensitivity and fair value hierarchy.
Impairment of trade receivables	
As at 31 December 2017, the balance of trade receivables of the Group was RMB919,910,000, arising from its land development revenue, the sale of properties, leasing activities and the provision of hotel and property management services. The Group was exposed to credit risks thereof. The impairment of trade receivables was made based on an evaluation of the collectability, ageing analysis of the outstanding receivables and management's judgement. Since significant judgement by management was involved in assessing the collectability of trade receivables, including the evaluation of creditworthiness based on the past collection history of each customer, we considered it significant to our audit. Relevant disclosures are included in notes 3 and 23 to the consolidated financial statements.	We performed tests of controls over management's internal monitoring process on the collectability of trade receivable, including the aging analysis. We assessed the management's assumptions used to estimate the provision for impairment. On a sample basis, we tested the receipts of cash after the reporting period and checked the underlying documents supporting the recoverability of the outstanding balances.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

27 March 2018

Consolidated Statement of
Profit or Loss

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5	**31,074,845**	27,304,073
Cost of sales		**(21,034,199)**	(17,099,317)
Gross profit		**10,040,646**	10,204,756
Other income and gains	5	**3,850,901**	1,493,026
Selling and marketing expenses		**(977,448)**	(804,573)
Administrative expenses		**(2,143,024)**	(1,561,732)
Other expenses and losses, net		**(316,886)**	(239,810)
Finance costs	7	**(1,692,438)**	(728,662)
Share of profits and losses of:			
Joint ventures		**31,410**	(43,748)
Associates		**31,622**	(28,459)
PROFIT BEFORE TAX	6	**8,824,783**	8,290,798
Income tax expense	10	**(3,674,581)**	(3,717,116)
PROFIT FOR THE YEAR		**5,150,202**	4,573,682
Attributable to:			
Owners of the parent		**3,977,712**	2,535,515
Non-controlling interests		**1,172,490**	2,038,167
		5,150,202	4,573,682
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12	**RMB cents**	RMB cents
Basic		**37.27**	23.76
Diluted		**35.95**	21.03

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
PROFIT FOR THE YEAR		**5,150,202**	4,573,682
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**1,589,939**	(1,461,531)
Net loss on hedges of net investments		**(79,713)**	–
		1,510,226	(1,461,531)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation	13	**1,279**	–
Income tax effect		**(319)**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**960**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**1,511,186**	(1,461,531)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,661,388**	3,112,151
Attributable to:			
Owners of the parent		**5,347,644**	1,160,125
Non-controlling interests		**1,313,744**	1,952,026
		6,661,388	3,112,151

Consolidated Statement of
Financial Position

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**10,838,792**	10,811,856
Properties under development	14	**41,884,008**	26,930,421
Land under development	15	**8,998,364**	11,705,031
Investment properties	17	**27,812,347**	22,029,331
Prepaid land lease payments	18	**1,507,905**	1,552,566
Intangible assets	19	**31,250**	29,294
Investments in joint ventures	20	**2,994,050**	2,667,304
Investments in associates	21	**3,843,690**	2,708,699
Deferred tax assets	34	**1,491,568**	1,364,011
Due from non-controlling shareholders	28	**3,001,473**	309,173
Due from related parties	25	**1,824,350**	–
Other long term receivables		**315,000**	333,577
Other financial assets	26	**223,713**	180,000
Total non-current assets		**104,766,510**	80,621,263
CURRENT ASSETS			
Properties under development	14	**24,649,765**	15,990,224
Properties held for sale	16	**11,772,494**	11,153,261
Land under development	15	**6,876,716**	5,521,179
Inventories	22	**77,837**	100,930
Trade receivables	23	**919,910**	6,446,477
Prepayments, deposits and other receivables	24	**19,929,997**	8,611,458
Due from related parties	25	**22,262,994**	16,444,036
Prepaid tax		**2,142,415**	1,569,902
Other financial assets	26	**6,004,007**	71,430
Restricted bank balances	27	**3,235,181**	2,328,374
Cash and cash equivalents	27	**19,406,553**	18,045,582
Total current assets		**117,277,869**	86,282,853
CURRENT LIABILITIES			
Trade and bills payables	29	**9,163,117**	10,830,686
Other payables and accruals	30	**57,727,944**	33,137,279
Interest-bearing bank and other borrowings	32	**27,826,561**	12,943,953
Due to related parties	25	**7,157,826**	9,009,372
Tax payable		**1,487,526**	2,216,868
Derivative financial instruments	31	**77,440**	–
Provision for land appreciation tax	33	**3,633,637**	3,244,106
Total current liabilities		**107,074,051**	71,382,264
NET CURRENT ASSETS		**10,203,818**	14,900,589
TOTAL ASSETS LESS CURRENT LIABILITIES		**114,970,328**	95,521,852
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**43,504,920**	34,980,817
Deferred tax liabilities	34	**5,021,696**	4,796,955
Total non-current liabilities		**48,526,616**	39,777,772
Net assets		**66,443,712**	55,744,080

Consolidated Statement of Financial Position

31 December 2017

	Notes	**31 December 2017 RMB'000**	31 December 2016 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	37	**17,702,376**	17,691,782
Perpetual convertible securities	35	**–**	2,638,374
Other reserves	39	**15,149,721**	11,296,135
		32,852,097	31,626,291
Non-controlling interests		**33,591,615**	24,117,789
Total equity		**66,443,712**	55,744,080

Li Congrui
Director

Jiang Nan
Director

Consolidated Statement of **Changes in Equity**

Year ended 31 December 2017

		Attributable to owners of the parent										
	Notes	Share capital RMB'000 (note 37)	Perpetual convertible securities RMB'000 (note 35)	Capital reserve RMB'000 (note 39)	Asset revaluation reserve RMB'000 (note 39)	PRC statutory surplus reserve RMB'000 (note 39)	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000 (note 39)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016		17,691,782	3,957,561	(1,876,406)	120,596	1,829,261	(854,720)	22,403	12,657,445	33,547,922	15,800,788	49,348,710
Profit for the year		–	–	–	–	–	–	–	2,535,515	2,535,515	2,038,167	4,573,682
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations		–	–	–	-	–	(1,375,390)	–	–	(1,375,390)	(86,141)	(1,461,531)
Total comprehensive income for the year		–	–	–	–	–	(1,375,390)	–	2,535,515	1,160,125	1,952,026	3,112,151
Perpetual convertible securities' distributions	35	–	–	–	–	–	–	–	(247,162)	(247,162)	–	(247,162)
Repurchase of perpetual convertible securities	35	–	(1,319,187)	–	–	–	–	–	(120,738)	(1,439,925)	–	(1,439,925)
Issue of perpetual securities, net of issue expenses	36	–	–	–	–	–	–	–	–	–	5,255,594	5,255,594
Final 2015 dividend declared		–	–	–	–	–	–	–	(721,841)	(721,841)	–	(721,841)
Acquisition of non-controlling interests		–	–	(655,297)	–	–	–	–	–	(655,297)	(2,330,855)	(2,986,152)
Capital contribution from non-controlling shareholders		–	–	26,315	–	–	–	–	–	26,315	3,819,611	3,845,926
Dividends declared to non-controlling shareholders		–	–	(52,988)	–	–	–	–	–	(52,988)	(379,375)	(432,363)
Equity-settled share option arrangements	38	–	–	–	–	–	–	9,142	–	9,142	–	9,142
Transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	-	–	–	(13,348)	13,348	–	–	–
Transfer from retained profits		–	–	–	–	354,635	–	–	(354,635)	–	–	–
At 31 December 2016		17,691,782	2,638,374	(2,558,376)	120,596	2,183,896	(2,230,110)	18,197	13,761,932	31,626,291	24,117,789	55,744,080

Consolidated Statement of
Changes in Equity

Year ended 31 December 2017

		Attributable to owners of the parent											
	Notes	Share capital RMB'000 (note 37)	Perpetual convertible securities RMB'000 (note 35)	Capital reserve RMB'000 (note 39)	Asset revaluation reserve RMB'000 (note 39)	PRC statutory surplus reserve RMB'000 (note 39)	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000	Share option reserve RMB'000 (note 39)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017		17,691,782	2,638,374	(2,558,376)	120,596	2,183,896	(2,230,110)	-	18,197	13,761,932	31,626,291	24,117,789	55,744,080
Profit for the year		-	-	-	-	-	-	-	-	3,977,712	3,977,712	1,172,490	5,150,202
Other comprehensive income/(loss) for the year:													
Exchange differences on translation of foreign operations		-	-	-	-	-	1,448,685	-	-	-	1,448,685	141,254	1,589,939
Net loss on hedges of net investments		-	-	-	-	-	-	(79,713)	-	-	(79,713)	-	(79,713)
Net gains on property revaluation		-	-	-	960	-	-	-	-	-	960	-	960
Total comprehensive income for the year		-	-	-	960	-	1,448,685	(79,713)	-	3,977,712	5,347,644	1,313,744	6,661,388
Perpetual convertible securities' distributions	35	-	-	-	-	-	-	-	-	(93,752)	(93,752)	-	(93,752)
Repurchase of perpetual convertible securities	35	-	(2,638,374)	-	-	-	-	-	-	(398,608)	(3,036,982)	-	(3,036,982)
Issue of perpetual securities, net of issue expenses	36	-	-	-	-	-	-	-	-	-	-	9,363,083	9,363,083
Perpetual securities' distribution		-	-	-	-	-	-	-	-	-	-	(373,925)	(373,925)
Acquisition of subsidiaries	41	-	-	-	-	-	-	-	-	-	-	145,328	145,328
Final 2016 dividend declared	11	-	-	-	-	-	-	-	-	(836,219)	(836,219)	-	(836,219)
Special 2017 interim dividend declared	11	-	-	-	-	-	-	-	-	(749,923)	(749,923)	-	(749,923)
Exercise of share options	37	10,594	-	-	-	-	-	-	(2,832)	-	7,762	-	7,762
Acquisition of non-controlling interests		-	-	381	-	-	-	-	-	-	381	(87,787)	(87,406)
Disposal of subsidiaries	42	-	-	-	-	-	-	-	-	-	-	(2,982,475)	(2,982,475)
Equity-settled share option arrangements	38	-	-	-	-	-	-	-	24,690	-	24,690	-	24,690
Capital contribution from non-controlling shareholders		-	-	562,205	-	-	-	-	-	-	562,205	5,797,702	6,359,907
Dividends declared to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	(3,701,844)	(3,701,844)
Transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	-	-	-	-	(4,735)	4,735	-	-	-
Transfer from retained profits		-	-	-	-	745,625	-	-	-	(745,625)	-	-	-
At 31 December 2017		17,702,376	-	(1,995,790)*	121,556 *	2,929,521*	(781,425)*	(79,713)*	35,320 *	14,920,252*	32,852,097	33,591,615	66,443,712

* These reserve accounts comprise the consolidated other reserves of RMB15,149,721,000 (2016: RMB11,296,135,000) in the consolidated statement of financial position.

Consolidated Statement of
Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**8,824,783**	8,290,798
Adjustments for:			
Finance costs	7	**1,692,438**	728,662
Share of profits and losses of joint ventures and associates		**(63,032)**	72,207
Interest income	5	**(859,234)**	(357,202)
Other investment income	5	**(160,556)**	(104,256)
Loss on disposal of items of property, plant and equipment	6	**6,047**	1,278
Gain on disposal of intangible assets	6	**(478)**	–
Provision/(reversal) of impairment of trade receivables	6,23	**1,424**	(937)
Impairment of other receivables	6	**2,250**	–
Fair value gains on investment properties	5,17	**(72,104)**	(728,599)
Fair value gains on transfers from properties held for sale to investment properties	5	**(7,473)**	(53,890)
Depreciation	6,13	**360,393**	334,049
Recognition of prepaid land lease payments	6,18	**53,926**	50,084
Amortisation of intangible assets	6,19	**9,678**	11,669
Net gain on hedge of net investment	6	**(2,273)**	–
Gain on disposal of subsidiaries	5,42	**(2,561,091)**	(365)
Fair value gains on the equity interest previously held as investment in joint venture	5,41	**(24,320)**	–
Gain on bargain purchase	5,41	**(1,599)**	–
Equity-settled share option expense	6,38	**24,690**	9,142
		7,223,469	8,252,640
Increase in properties under development		**(42,864,743)**	(20,588,127)
Decrease in properties held for sale		**17,070,684**	14,590,153
Decrease/(increase) in land under development		**1,802,370**	(1,555,619)
Decrease/(increase) in inventories		**23,093**	(26,537)
Decrease/(increase) in trade receivables		**5,525,469**	(3,898,238)
Increase in prepayments, deposits and other receivables		**(9,541,093)**	(6,323,259)
Increase in amounts due from related parties		**(2,923,473)**	(9,013,081)
Decrease in trade and bills payables		**(1,734,198)**	(744,069)
Increase in other payables and accruals		**5,274,054**	15,777,565
(Decrease)/increase in amounts due to related parties		**(874,450)**	4,729,952
Effect of exchange rate changes, net		**(351,513)**	121,909
Cash (used in)/generated from operations		**(21,370,331)**	1,323,289
Interest received		**1,128,712**	447,972
PRC corporate income tax paid		**(3,807,647)**	(2,411,253)
Land appreciation tax paid		**(643,802)**	(499,443)
Net cash flows used in operating activities		**(24,693,068)**	(1,139,435)

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Other investment income received from unlisted investments		**160,556**	104,256
Purchases of items of property, plant and equipment		**(375,759)**	(523,375)
Proceeds from disposal of items of property, plant and equipment		**13,093**	1,430
Proceeds from disposal of intangible assets		**3,863**	3,884
Additions to investment properties	17	**(3,706,776)**	(19,547)
Additions to prepaid land lease payments		**(266)**	(1,746)
Additions to intangible assets		**(12,582)**	(10,289)
Decrease/(increase) in other financial assets		**30,277**	(211,430)
Disposal of subsidiaries	42	**368,108**	(151,303)
Acquisition of subsidiaries	41	**141,226**	–
Investments in joint ventures		**(754,099)**	(1,792,991)
Investments in associates		**(1,157,450)**	(712,000)
(Increase)/decrease in loans to joint ventures and associates		**(4,661,764)**	3,252,466
(Increase)/decrease in loans to non-controlling shareholders		**(3,892,300)**	78,078
(Increase)/decrease in entrustment loans to third parties		**(768,145)**	195,184
Advance of investment to a third party		**–**	(955,200)
(Increase)/decrease in restricted bank deposits		**(906,807)**	428,981
Net cash flows used in investing activities		**(15,518,825)**	(313,602)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of perpetual securities, net of issue expenses		**9,363,083**	5,255,594
Redemption of perpetual convertible securities		**(3,036,982)**	(1,439,925)
New bank and other borrowings		**57,625,210**	41,557,459
Repayment of bank and other borrowings		**(32,447,626)**	(33,851,128)
Interest paid		**(3,244,842)**	(2,510,690)
Advance of investment from third parties		**5,092,016**	–
Dividends paid		**(1,586,142)**	(721,841)
Dividends paid to non-controlling shareholders		**(3,438,709)**	(532,113)
Loans from non-controlling shareholders		**7,499,374**	–
Acquisition of non-controlling interests		**(87,406)**	(2,905,402)
Capital contribution from non-controlling shareholders		**6,359,907**	3,845,926
Proceeds from exercise of share options		**7,762**	–
Perpetual convertible securities' distributions paid		**(93,752)**	(247,162)
Perpetual securities' distribution paid		**(373,925)**	–
Net cash flows from financing activities		**41,637,968**	8,450,718
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,426,075**	6,997,681
Cash and cash equivalents at beginning of year		**18,045,582**	10,997,033
Effect of foreign exchange rate changes, net		**(65,104)**	50,868
CASH AND CASH EQUIVALENTS AT END OF YEAR		**19,406,553**	18,045,582

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**18,501,592**	15,777,548
Non-pledged time deposits with original maturity of within three months when acquired		**857,474**	2,205,106
Non-pledged time deposits with original maturity of over three months when acquired with an option to withdraw upon demand similar to demand deposits		**47,487**	62,928
Cash and cash equivalents as stated in the statement of financial position	27	**19,406,553**	18,045,582

1. CORPORATE AND GROUP INFORMATION

China Jinmao Holdings Group Limited (formerly known as Franshion Properties (China) Limited) (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 17 August 2007.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- city and property development
- commercial leasing and retail operations
- hotel operations
- provision of property management, design and decoration services

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited, a company incorporated in Hong Kong, and the ultimate holding company of the Company is Sinochem Group Co., Ltd., a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Shanghai International Shipping Service Center Co., Ltd. ("SISSC")*	The PRC/ Mainland China	RMB3,150,000,000	50%#	–	Property development
Sinochem Franshion Property (Beijing) Co., Ltd.***	The PRC/ Mainland China	US$635,000,000	100%	–	Property development
Shanghai Yin Hui Real Estate Development Co., Ltd. ("Shanghai Yin Hui")*	The PRC/ Mainland China	RMB1,355,000,000	50%#	–	Property development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chongqing Xingtuo Development Co., Ltd.***	The PRC/ Mainland China	US$200,000,000	–	100%	Property development
Chongqing Xingqian Properties Development Co., Ltd.*	The PRC/ Mainland China	RMB2,884,540,000	–	45%@	Property development
Jinmao Hangzhou Property Development Co., Ltd.*	The PRC/ Mainland China	RMB3,200,000,000	–	50%#	Property development
Nanjing Xingtuo Investment Co., Ltd.**	The PRC/ Mainland China	RMB3,000,000,000	–	80%	Land development
Beijing Chemsunny Property Co., Ltd.***	The PRC/ Mainland China	US$102,400,000	50%	50%	Property investment
Sinochem International Property and Hotels Management Co., Ltd.***	The PRC/ Mainland China	RMB387,600,000	25%	75%	Property investment
Wangfujing Hotel Management Co., Ltd.***	The PRC/ Mainland China	US$73,345,000	–	66.77%	Hotel operation
China Jin Mao Group Co., Ltd.***	The PRC/ Mainland China	RMB2,635,000,000	–	66.77%	Hotel operation and property investment
Jin Mao (Beijing) Real Estate Co., Ltd.**	The PRC/ Mainland China	RMB1,600,000,000	–	66.77%	Hotel operation

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jin Mao Sanya Resort Hotel Co., Ltd.**	The PRC/ Mainland China	RMB300,000,000	–	66.77%	Hotel operation
Changsha Jin Mao Meixi Lake International Plaza Properties Limited***	The PRC/ Mainland China	US$600,000,000	–	100%	Property development
Jin Mao Sanya Tourism Co., Ltd.**	The PRC/ Mainland China	RMB500,000,000	–	66.77%	Hotel operation
Jin Mao Shenzhen Hotel Investment Co., Ltd.**	The PRC/ Mainland China	RMB700,000,000	–	66.77%	Hotel operation
Jin Mao (Li Jiang) Hotel Investment Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	–	66.77%	Hotel operation
Jin Mao Investment (Changsha) Co., Ltd.**	The PRC/ Mainland China	RMB3,750,000,000	–	80%	Land development
Franshion Brilliant Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Franshion Capital Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Changsha Franshion Shengrong Properties Limited ("Franshion Shengrong")**	The PRC/ Mainland China	RMB500,160,000	–	100%	Property development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Franshion Properties (Suzhou) Limited***	The PRC/ Mainland China	US$395,000,000	–	100%	Property development
Franshion Properties (Ningbo) Limited***	The PRC/ Mainland China	US$254,000,000	–	100%	Property development
Beijing Franshion Yicheng Properties Limited**	The PRC/ Mainland China	RMB1,742,800,000	–	100%	Property development
Jinmao (China) Hotel Investments and Management Limited ("JCHIML")&	Cayman Islands/ Hong Kong	HK$2,000,000	66.77%	–	Investment holding
Guangzhou Xingtuo Properties Limited*	The PRC/ Mainland China	RMB2,260,000,000	–	90%	Property development
Changsha Jinmao City Construction Limited**	The PRC/ Mainland China	RMB2,962,500,000	–	100%	Land development
Franshion Properties (Hangzhou) Limited*	The PRC/ Mainland China	RMB1,882,350,000	–	85%	Property development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jinmao Investments Management Co., Ltd***	The PRC/ Mainland China	US$8,000,000	100%	–	Investment holding
Qingdao Lanhai Xingang City Real Estate Co., Ltd**	The PRC/ Mainland China	RMB2,000,000,000	–	50%	Property development
Shanghai Jin Mao Economic Development Company Ltd.**	The PRC/ Mainland China	RMB30,000,000	–	100%	Property development
Nanjing Taimao Properties Development Ltd.**	The PRC/ Mainland China	RMB1,400,000,000	–	100%	Property development
Jinmao Assets Management Limited Partnership	Cayman Islands/ Hong Kong	RMB11,811,608,710	95%	5%	Property investment
Suzhou Anmao Property Co., Ltd ("Suzhou Anmao")**	The PRC/ Mainland China	RMB4,500,000,000	–	26.5%$	Property development

* Registered as Sino-foreign joint ventures under PRC law

** Registered as limited liability companies under PRC law

*** Registered as wholly-foreign-owned entities under PRC law

& Ordinary shares of JCHIML are stapled to units of a trust namely Jinmao Hotel and are listed on the Main Board of the Stock Exchange of Hong Kong Limited. JCHIML and its subsidiaries are collectively referred to as the JCHIML Group.

The Group controls the board of directors of this entity by virtue of its power to cast the majority of votes at meetings of the board, and therefore has the power to exercise control over the entity's operating and financing activities.

@ This entity is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

$ The Group is entitled to 52% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

The English names of certain of the above companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain other financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs* 2014-2016 Cycle	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 43 to the financial statements.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group did not have any disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have a significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the impairment assessment of its financial assets.

(c) Hedge accounting

As HKFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of HKFRS 9 will not have a significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 2018 onwards. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The Group's principal activities consist of the city and property development, the commercial leasing and retail operations, hotel operations, the provision of property management, design and decoration services. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) Sale of completed properties

During the year and in prior years, the Group accounted for sales of completed properties when the significant risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured. Under HKFRS 15, the sale of completed properties for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. The Group has determined that when HKFRS 15 is adopted, there would be no impact on the revenue recognition from the sale of completed properties based on the current contracts terms.

For contract where the period between the payment by the customer and the transfer of the promised property exceeds one year, the transaction price is adjusted for the effects of a significant financing component. The transaction price is determined by discounting the amount of promised consideration. The Group uses the same discount rate that it would use if it were to enter into a separate financing transaction with the customer. The discount rate reflects the credit characteristics of the borrower in the arrangement.

Under HKFRS 15, incremental costs of obtaining contracts (i.e., costs that would not have been incurred if the contract had not been obtained) are recognised as contract assets if they are recoverable and subsequently amortised on a systematic basis consistent with the pattern of transfer of the services to which the asset relates. Recovery can be direct (i.e., through reimbursement under the contract) or indirect (i.e., through the margin inherent in the contract). The Group involved real estate agents to sell its properties development projects. Upon the adoption of HKFRS 15, sales commissions paid to them that are directly related to sales achieved during a time period would represent incremental costs that would require capitalisation and amortisation when the related revenue is recognised.

(b) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determination of the amount and timing of revenue from contracts with customers. The Group also need to make disclosure of the closing balances of capitalised costs to obtain and fulfil a contract and the amount of amortisation in the period.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 45(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB74,842,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and certain financial assets at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, land under development, properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel properties	1.7% – 9.5%
Leasehold improvements	18% – 20%
Buildings	2% – 5%
Furniture, fixtures and office equipment	3.8% – 33.3%
Motor vehicles	8.3% – 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction or equipment under installation or testing, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction/equipment and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation with surplus credited to the asset revaluation reserve and deficit charged to the statement of profit or loss. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, project costs, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group's proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties held for sale (Continued)

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses and losses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses and losses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

***Financial assets carried at amortised cost* (Continued)**

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses and losses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

***Available-for-sale financial investments* (Continued)**

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting (Continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the significant risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured;

(b) from land development, when the risks and rewards in connection with the land development are transferred, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured;

(c) hotel and other service income, in the period in which such services are rendered;

(d) rental income, on a time proportion basis over lease terms, except for contingent rental income which is recognised when it arises, where premiums received to terminate leases are recognised in the statement of profit or loss when they arise;

(e) from the rendering of property management services, in the period in which such services are rendered;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(f) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(g) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(h) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 38 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate of 4.52% has been applied to the expenditure on the group level.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, while the Company's functional currency is HK$. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and subsidiaries operating outside Mainland China are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and subsidiaries operating outside Mainland China are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to completed properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

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, are described below.

Impairment of trade and other receivables

The provision policy for impairment of trade and other receivables of the Group is based on the ongoing evaluation of the collectability, aged analysis of the outstanding receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2017 was RMB27,812,347,000 (2016: RMB22,029,331,000). Further details, including the key assumptions used for the fair value measurement, are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Measurement of properties under development

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

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a particular phase are recorded as the cost of such phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. The carrying amount of properties under development at 31 December 2017 was RMB66,533,773,000 (2016: RMB42,920,645,000). Further details are given in note 14 to the financial statements.

Measurement of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Costs of land under development during the construction stage, before the final settlement of the development costs and other costs relating to the land under development are accrued by the Group based on management's best estimate. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2017 was RMB15,875,080,000 (2016: RMB17,226,210,000). Further details are given in note 15 to the financial statements.

Estimation of net realisable value for properties held for sale and inventories

Properties held for sale and inventories are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in light of recent market transactions. The carrying amounts of properties held for sale and inventories at 31 December 2017 were RMB11,772,494,000 (2016: RMB11,153,261,000) and RMB77,837,000 (2016: RMB100,930,000), respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2017 was RMB112,871,000 (2016: RMB223,246,000). The amount of unrecognised tax losses at 31 December 2017 was RMB2,246,775,000 (2016: RMB1,102,386,000). Further details are contained in note 34 to the financial statements.

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of income tax payable at 31 December 2017 was RMB1,487,526,000 (2016: RMB2,216,868,000).

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the Group's property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period which LAT is ascertained. The carrying amount of provision for LAT at 31 December 2017 was RMB3,633,637,000 (2016: RMB3,244,106,000). Further details are given in note 33 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the city and property development segment develops city complexes and properties and develops land;

(b) the commercial leasing and retail operations segment leases office and retail commercial premises;

(c) the hotel operations segment provides hotel accommodation services, food and beverage; and

(d) the "others" segment mainly comprises the provision of property management, design and decoration services, and the operation of an observation deck.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, other investment income, finance costs and head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, prepaid tax, restricted bank balances, cash and cash equivalents, certain other financial assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings and related interest payables, tax payable, provision for land appreciation tax, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

The Group's operations are mainly conducted in Mainland China. Management considered there is one reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2017	City and property development RMB'000	Commercial leasing and retail operations RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	26,869,190	1,369,988	2,069,979	765,688	31,074,845
Intersegment sales	–	27,801	–	460,592	488,393
	26,869,190	1,397,789	2,069,979	1,226,280	31,563,238
Reconciliation:					
Elimination of intersegment sales					(488,393)
Total revenue					31,074,845
Segment results	9,659,563	782,927	221,380	(46,875)	10,616,995
Reconciliation:					
Elimination of intersegment results					(484,366)
Interest income					859,234
Other investment income					160,556
Corporate and other unallocated expenses					(635,198)
Finance costs					(1,692,438)
Profit before tax					8,824,783
Segment assets	190,844,253	32,592,519	13,680,193	768,394	237,885,359
Reconciliation:					
Elimination of intersegment assets					(106,600,020)
Corporate and other unallocated assets					90,759,040
Total assets					222,044,379
Segment liabilities	123,705,046	4,844,060	7,219,272	847,352	136,615,730
Reconciliation:					
Elimination of intersegment liabilities					(98,760,124)
Corporate and other unallocated liabilities					117,745,061
Total liabilities					155,600,667
Other segment information:					
Share of profits of joint ventures	28,732	–	–	2,678	31,410
Share of profits of associates	31,622	–	–	–	31,622
Depreciation and amortisation	17,944	33,812	306,734	11,581	370,071
Recognition of prepaid land lease payments	–	–	53,837	89	53,926
Loss on disposal of items of property, plant and equipment	1,175	2,428	2,352	92	6,047
Impairment losses recognised in the statement of profit or loss	–	2,126	142	1,406	3,674
Fair value gains on investment properties	–	72,104	–	–	72,104
Fair value gains on transfer from properties held for sale to investment properties	–	7,473	–	–	7,473
Investments in associates	3,843,690	–	–	–	3,843,690
Investments in joint ventures	2,960,185	–	–	33,865	2,994,050
Capital expenditure*	126,582	3,725,290	165,612	17,073	4,034,557

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016	City and property development RMB'000	Commercial leasing and retail operations RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	23,593,045	1,274,490	1,890,033	546,505	27,304,073
Intersegment sales	217,077	21,471	–	423,980	662,528
	23,810,122	1,295,961	1,890,033	970,485	27,966,601
Reconciliation:					
Elimination of intersegment sales					(662,528)
Total revenue					27,304,073
Segment results	7,300,392	1,472,806	153,609	(42,812)	8,883,995
Reconciliation:					
Elimination of intersegment results					(34,973)
Interest income					357,202
Other investment income					104,256
Corporate and other unallocated expenses					(291,020)
Finance costs					(728,662)
Profit before tax					8,290,798
Segment assets	132,390,013	25,928,227	12,868,202	860,414	172,046,856
Reconciliation:					
Elimination of intersegment assets					(71,107,219)
Corporate and other unallocated assets					65,964,479
Total assets					166,904,116
Segment liabilities	71,728,545	5,254,098	7,883,148	850,861	85,716,652
Reconciliation:					
Elimination of intersegment liabilities					(65,616,112)
Corporate and other unallocated liabilities					91,059,496
Total liabilities					111,160,036
Other segment information:					
Share of (losses)/profits of joint ventures	(47,431)	–	–	3,683	(43,748)
Share of losses of associates	(28,459)	–	–	–	(28,459)
Depreciation and amortisation	13,790	30,428	288,805	12,695	345,718
Recognition of prepaid land lease payments	–	–	49,995	89	50,084
Loss on disposal of items of property, plant and equipment	522	173	581	2	1,278
Impairment losses reversed in the statement of profit or loss	–	(896)	(41)	–	(937)
Fair value gains on investment properties	–	728,599	–	–	728,599
Fair value gains on transfer from properties held for sale to investment properties	–	53,890	–	–	53,890
Investments in associates	2,708,699	–	–	–	2,708,699
Investments in joint ventures	2,630,927	–	–	36,377	2,667,304
Capital expenditure	115,878	23,201	196,197	13,740	349,016

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

During the year, there was no revenue from a single customer which accounted for 10% or more of the Group's revenue. In 2016, revenue of RMB5,036,808,000 was derived from sales by the city and property development segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the gross proceeds from the sale of properties and land development, gross rental income from investment properties, income from hotel operations, property management and related services rendered, and an appropriate proportion of contract revenue of service contracts, net of business tax if applicable, during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	Notes	**2017** **RMB'000**	2016 RMB'000
Revenue			
Sale of properties		**21,967,225**	21,456,061
Land development		**4,901,965**	2,136,984
Gross rental income		**1,369,988**	1,274,490
Hotel operations		**2,069,979**	1,890,033
Others		**765,688**	546,505
		31,074,845	27,304,073
Other income			
Interest income		**859,234**	357,202
Other investment income		**160,556**	104,256
Government grants*		**22,164**	106,365
Default penalty income		**13,553**	33,715
		1,055,507	601,538
Gains			
Fair value gains on investment properties	17	**72,104**	728,599
Fair value gains on transfers from properties held for sale to investment properties		**7,473**	53,890
Gain on bargain purchase	41	**1,599**	–
Gain on disposal of subsidiaries	42	**2,561,091**	365
Fair value gains on the equity interest previously held as investments in joint venture	41	**24,320**	–
Others		**128,807**	108,634
		2,795,394	891,488
		3,850,901	1,493,026

* Various government grants have been received from the relevant authorities for the Group's businesses conducted in certain cities in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2017 RMB'000	2016 RMB'000
Cost of properties sold		**17,191,387**	14,724,231
Cost of land development		**1,892,516**	765,516
Cost of services provided		**1,950,296**	1,609,570
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**234,167**	174,260
Depreciation	13	**360,393**	334,049
Amortisation of intangible assets	19	**9,678**	11,669
Minimum lease payments under operating leases		**37,557**	38,766
Recognition of prepaid land lease payments	18	**53,926**	50,084
Auditor's remuneration		**5,551**	4,929
Employee benefit expense (including directors' and chief executive's remuneration (note (8)):			
Wages and salaries		**1,214,090**	1,054,130
Equity-settled share option expense	38	**24,690**	9,142
Pension scheme contributions (defined contribution schemes)		**118,234**	114,088
Less: Amount capitalised		**(13,336)**	(18,080)
Net pension scheme contributions*		**104,898**	96,008
		1,343,678	1,159,280
Foreign exchange differences, net		**269,250**	66,397
Loss on disposal of items of property, plant and equipment**		**6,047**	1,278
Gain on disposal of intangible assets		**(478)**	–
Provision/(reversal) of impairment of trade receivables**	23	**1,424**	(937)
Impairment of other receivables**		**2,250**	–
Net fair value gain on derivative instruments – transaction not qualified as hedges		**(2,273)**	–
Gain on bargain purchase***	41	**(1,599)**	–
Provision for penalty claim**		**–**	97,365

* At 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2016: Nil).

** These items are included in "Other expenses and losses, net" in the consolidated statement of profit or loss.

*** Gain on bargain purchase is included in "other income and gains" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 RMB'000	2016 RMB'000
Interest on bank and other loans, notes and bonds	**3,778,610**	2,307,226
Interest on an amount due to a fellow subsidiary (note 47(a))	**12,755**	19,937
Interest on an amount due to the immediate holding company (note 47(a))	**74,135**	85,255
Interest on an amount due to an associate (note 47(a))	**17,554**	9,201
Total interest expense	**3,883,054**	2,421,619
Less: Interest capitalised	**(2,190,616)**	(1,692,957)
	1,692,438	728,662

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Fees	**1,068**	924
Other emoluments:		
Salaries, allowances and benefits in kind	**6,669**	3,706
Performance related bonuses*	**7,553**	4,586
Equity-settled share option expense	**602**	642
Pension scheme contributions	**857**	575
	15,681	9,509
	16,749	10,433

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 38 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2017 RMB'000	2016 RMB'000
Mr. Lau Hon Chuen, Ambrose	356	308
Mr. Su Xijia	356	308
Mr. Gao Shibin	356	308
	1,068	924

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2017						
Executive directors:						
Mr. Li Congrui(i)	–	2,844	3,608	251	396	7,099
Mr. Jiang Nan(ii)	–	2,836	2,830	251	350	6,267
Mr. Song Liuyi(iii)	–	989	1,115	100	111	2,315
	–	6,669	7,553	602	857	15,681
Non-executive directors:						
Mr. Ning Gaoning(iv)	–	–	–	–	–	–
Mr. Yang Lin	–	–	–	–	–	–
Mr. An Hongjun	–	–	–	–	–	–
Mr. Cui Yan(v)	–	–	–	–	–	–
	–	6,669	7,553	602	857	15,681

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2016						
Executive directors:						
Mr. Li Congrui[(i)]	–	1,911	2,441	321	305	4,978
Mr. Jiang Nan[(ii)]	–	1,795	2,145	321	270	4,531
	–	3,706	4,586	642	575	9,509
Non-executive directors:						
Mr. Ning Gaoning[(iv)]	–	–	–	–	–	–
Mr. Yang Lin	–	–	–	–	–	–
Mr. Cui Yan[(v)]	–	–	–	–	–	–
Mr. An Hongjun	–	–	–	–	–	–
Mr. Cai Xiyou[(vi)]	–	–	–	–	–	–
	–	3,706	4,586	642	575	9,509

i Mr. Li Congrui is the chief executive officer of the Company.

ii Mr. Jiang Nan is the chief financial officer of the Company.

iii Mr. Song Liuyi was appointed as an executive director of the Company with effect from 8 August 2017.

iv Mr. Ning Gaoning was appointed as the chairman and non-executive director with effect from 12 May 2016.

v Mr. Cui Yan resigned as a non-executive director of the Company with effect from 8 August 2017.

vi Mr. Cai Xiyou resigned as the chairman and a non-executive director of the Company with effect from 15 March 2016.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2016: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2016: two directors including the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2016: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	**4,228**	4,229
Performance related bonuses	**4,911**	5,317
Equity-settled share option expense	**502**	159
Pension scheme contributions	**504**	751
	10,145	10,456

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	1
HK$5,000,001 to HK$5,500,000	**–**	–
HK$5,500,001 to HK$6,000,000	**–**	–
HK$6,000,001 to HK$6,500,000	**–**	–
HK$6,500,001 to HK$7,000,000	**1**	–
	2	3

During the year and in prior years, share options were granted to three non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 38 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

	Notes	**2017 RMB'000**	2016 RMB'000
Current			
PRC corporate income tax			
Charge for the year		**2,568,956**	2,143,554
Underprovision in prior years		**4,092**	33
PRC land appreciation tax	33	**1,105,892**	1,645,489
		3,678,940	3,789,076
Deferred	34	**(4,359)**	(71,960)
Total tax charge for the year		**3,674,581**	3,717,116

10. INCOME TAX (Continued)

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2016: Nil).

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2016: 25%) on the taxable profits of the Group's PRC subsidiaries.

PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值税暫行條例) effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值税暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective 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 borrowing costs and all property development expenditures.

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge for the year at the effective tax rates is as follows:

2017

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit before tax	1,415,041	7,409,742	8,824,783
Tax at the statutory income tax rate	233,482	1,852,435	2,085,917
Effect of withholding tax at 5% on the distributable profits of certain PRC subsidiaries	226,980	–	226,980
Lower tax rate for gain on disposal of a PRC subsidiary	(196,010)	–	(196,010)
Adjustment in respect of current tax of previous periods	–	4,092	4,092
Profits and losses attributable to joint ventures and associates	–	(15,762)	(15,762)
Income not subject to tax	(6,128)	(35,567)	(41,695)
Expenses not deductible for tax	264,311	57,618	321,929
Tax losses utilised from previous periods	–	(16,318)	(16,318)
Tax losses not recognised	–	476,029	476,029
LAT (note 33)	–	1,105,892	1,105,892
Tax effect of LAT	–	(276,473)	(276,473)
Tax charge for the year	522,635	3,151,946	3,674,581

10. INCOME TAX (Continued)

2016

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit/(loss) before tax	(1,089,653)	9,380,451	8,290,798
Tax at the statutory income tax rate	(179,793)	2,345,113	2,165,320
Adjustment in respect of current tax of previous periods	–	33	33
Profits and losses attributable to joint ventures and associates	–	18,052	18,052
Income not subject to tax	(3,682)	(23,197)	(26,879)
Expenses not deductible for tax	183,475	25,746	209,221
Tax losses utilised from previous periods	–	(391)	(391)
Tax losses not recognised	–	117,643	117,643
LAT (note 33)	–	1,645,489	1,645,489
Tax effect of LAT	–	(411,372)	(411,372)
Tax charge for the year	–	3,717,116	3,717,116

The share of tax attributable to joint ventures and associates amounting to RMB64,911,000 (2016: share of tax credit of RMB14,868,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Special interim – HK8.17 cents (2016: Nil) per ordinary share	**749,923**	–
Proposed final – HK18.0 cents (2016: HK9.0 cents) per ordinary share	**1,549,183**	851,258

The actual amount of the 2016 final dividend paid during the year ended 31 December 2017 was RMB836,219,000.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 10,673,642,868 (2016: 10,671,810,609) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of the Group's perpetual convertible securities and share options into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2017 **RMB'000**	2016 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**3,977,712**	2,535,515

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**10,673,642,868**	10,671,810,609
Effect of dilution – weighted average number of ordinary shares:		
Perpetual convertible securities	**362,036,855**	1,386,955,944
Share options	**27,350,532**	–
	11,063,030,255	12,058,766,553

13. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2017							
At 31 December 2016 and at 1 January 2017:							
Cost	8,136,006	19,569	508,284	1,676,883	67,896	2,787,824	13,196,462
Accumulated depreciation and impairment	(1,258,641)	(19,550)	(85,241)	(976,616)	(44,558)	–	(2,384,606)
Net carrying amount	6,877,365	19	423,043	700,267	23,338	2,787,824	10,811,856
At 1 January 2017, net of accumulated depreciation and impairment	6,877,365	19	423,043	700,267	23,338	2,787,824	10,811,856
Additions	112,924	–	9,457	38,078	3,796	139,379	303,634
Disposals	(58,490)	–	(2,406)	(46,785)	(1,867)	(10,537)	(120,085)
Depreciation provided during the year	(223,365)	(1)	(17,982)	(113,055)	(5,990)	–	(360,393)
Acquisition of subsidiaries (note 41)	–	–	33,026	1,064	348	–	34,438
Disposal of subsidiaries (note 42)	–	–	–	(176)	(871)	–	(1,047)
Gain on property revaluation in relation to the transfer to investment properties	–	–	1,279	–	–	–	1,279
Transfer to investment properties (note 17)	–	–	(21,490)	–	–	–	(21,490)
Transfer from investment properties (note 17)	–	–	61,450	–	–	–	61,450
Transfer from properties held for sale	129,156	–	–	–	–	–	129,156
Transfers	694,158	–	–	5,198	–	(699,356)	–
Exchange realignment	–	–	–	(6)	–	–	(6)
At 31 December 2017, net of accumulated depreciation and impairment	7,531,748	18	486,377	584,585	18,754	2,217,310	10,838,792
At 31 December 2017:							
Cost	9,012,908	19,569	584,254	1,667,217	63,030	2,217,310	13,564,288
Accumulated depreciation and impairment	(1,481,160)	(19,551)	(97,877)	(1,082,632)	(44,276)	–	(2,725,496)
Net carrying amount	7,531,748	18	486,377	584,585	18,754	2,217,310	10,838,792

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel properties RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016							
At 31 December 2015 and at 1 January 2016:							
Cost	8,034,015	20,302	457,678	1,638,191	71,566	4,081,183	14,302,935
Accumulated depreciation and impairment	(1,057,313)	(20,197)	(69,705)	(873,454)	(44,004)	–	(2,064,673)
Net carrying amount	6,976,702	105	387,973	764,737	27,562	4,081,183	12,238,262
At 1 January 2016, net of accumulated depreciation and impairment	6,976,702	105	387,973	764,737	27,562	4,081,183	12,238,262
Additions	35,715	–	751	32,715	3,950	244,303	317,434
Disposals	(6)	(39)	(170)	(1,269)	(1,224)	–	(2,708)
Depreciation provided during the year	(201,351)	(47)	(15,790)	(109,911)	(6,950)	–	(334,049)
Disposal of subsidiaries (note 42)	–	–	–	(153)	–	–	(153)
Transfer from investment properties (note 17)	–	–	19,179	–	–	–	19,179
Transfer from properties under development (note 14)	–	–	31,100	–	–	468,664	499,764
Transfer to properties under development (note 14)	–	–	–	–	–	(1,925,880)	(1,925,880)
Transfers	66,305	–	–	14,141	–	(80,446)	–
Exchange realignment	–	–	–	7	–	–	7
At 31 December 2016, net of accumulated depreciation and impairment	6,877,365	19	423,043	700,267	23,338	2,787,824	10,811,856
At 31 December 2016:							
Cost	8,136,006	19,569	508,284	1,676,883	67,896	2,787,824	13,196,462
Accumulated depreciation and impairment	(1,258,641)	(19,550)	(85,241)	(976,616)	(44,558)	–	(2,384,606)
Net carrying amount	6,877,365	19	423,043	700,267	23,338	2,787,824	10,811,856

At 31 December 2017, certain of the Group's hotel properties and buildings and construction in progress included in property, plant and equipment with an aggregate net carrying amount of approximately RMB322,653,000 (2016: RMB328,857,000) were pledged to secure bank loans granted to the Group (note 32).

14. PROPERTIES UNDER DEVELOPMENT

	Notes	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January		**42,920,645**	38,222,250
Additions		**44,387,266**	22,115,318
Transfer from property, plant and equipment	13	**–**	1,925,880
Transfer to property, plant and equipment	13	**–**	(499,764)
Transfer to properties held for sale		**(19,384,987)**	(19,589,680)
Transfer from prepaid land lease payments	18	**–**	770,157
Acquisition of subsidiaries	41	**9,063,595**	–
Disposal of subsidiaries	42	**(10,452,746)**	(23,516)
Carrying amount at 31 December		**66,533,773**	42,920,645
Current portion		**(24,649,765)**	(15,990,224)
Non-current portion		**41,884,008**	26,930,421

At 31 December 2017, certain of the Group's properties included in properties under development with a net carrying amount of approximately RMB25,829,469,000 (2016: RMB8,496,473,000) were pledged to secure bank loans granted to the Group (note 32).

15. LAND UNDER DEVELOPMENT

Land under development represents the project cost, land requisition cost, compensation cost and other preliminary infrastructure costs in relation to the Group's land development projects (the "Projects") in Mainland China. Though the Group does not have the ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, the Group is entitled to receive from the local authorities the land development fee.

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	**17,226,210**	15,400,719
Additions	**1,910,039**	2,586,557
Recognised during the year	**(3,261,169)**	(761,066)
Carrying amount at 31 December	**15,875,080**	17,226,210
Current portion	**(6,876,716)**	(5,521,179)
Non-current portion	**8,998,364**	11,705,031

16. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at the lower of cost and net realisable value. The Group's properties held for sale are situated in Mainland China.

At 31 December 2017, certain of the Group's properties included in properties held for sale with a net carrying amount of approximately RMB3,023,504,000 (2016: RMB175,857,000) were pledged to secure bank loans granted to the Group (note 32).

17. INVESTMENT PROPERTIES

	Notes	**2017** **RMB'000**	2016 RMB'000
Carrying amount at 1 January		**22,029,331**	21,083,287
Additions		**3,706,776**	19,547
Transfer from properties held for sale		**2,007,118**	217,077
Acquisition of subsidiaries	41	**312,765**	–
Net gain from a fair value adjustment	5	**72,104**	728,599
Transfer from property, plant and equipment	13	**21,490**	–
Transfer to property, plant and equipment	13	**(61,450)**	(19,179)
Transfer to properties held for sale		**(32,929)**	–
Disposal of subsidiaries	42	**(242,858)**	–
Carrying amount at 31 December		**27,812,347**	22,029,331

The Group's investment properties consist of 14 commercial properties. The directors of the Company have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued individually on 31 December 2017 based on valuations performed by Cushman & Wakefield Limited (formerly known as DTZ Debenham Tie Leung Limited), Shanghai Cairui Real Estate Land Appraisal Co., Ltd., Beijing Renda Real Estate Appraisal Co., Ltd., and Beijing Zhuoxindahua Appraisal Co., Ltd., independent professionally qualified valuers. Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the values on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

These investment properties are leased under operating leases, further summary details of which are included in note 45(a) to the financial statements.

At 31 December 2017, certain of the Group's investment properties with a carrying value of RMB12,553,080,000 (2016: RMB12,493,860,000) were pledged to secure bank loans granted to the Group (note 32).

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2017 using		
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:			
Commercial properties	**47,670**	**27,764,677**	**27,812,347**

	Fair value measurement as at 31 December 2016 using		
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:			
Commercial properties	38,000	21,991,331	22,029,331

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000
Carrying amount at 1 January 2016	21,044,774
Additions	19,547
Net gain from a fair value adjustment	729,112
Transfer from properties held for sale	217,077
Transfer from property, plant and equipment	(19,179)
Carrying amount at 31 December 2016 and 1 January 2017	21,991,331
Additions	3,706,776
Transfer from properties held for sale	2,007,118
Acquisition of subsidiaries	312,765
Net gain from a fair value adjustment	62,434
Transfer from property, plant and equipment	21,490
Transfer to property, plant and equipment	(61,450)
Transfer to properties held for sale	(32,929)
Disposal of subsidiaries	(242,858)
Carrying amount at 31 December 2017	27,764,677

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2017	2016
Property 1-Beijing Chemsunny World Trade Centre	Term and reversion method	Term yield	**6.00%**	6.00%
		Reversionary yield	**6.50%**	6.50%
		Market rent (per square metre ("sqm") per annum ("p.a."))	**RMB5,177 – RMB9,453**	RMB5,232 – RMB9,386
Property 2-Sinochem Tower	Term and reversion method	Term yield	**3.00% – 6.00%**	3.00% – 6.00%
		Reversionary yield	**3.50% – 6.50%**	3.50% – 6.50%
		Market rent (per sqm p.a.)	**RMB3,072 – RMB9,720**	RMB3,000 – RMB9,600
Property 3-Jin Mao Tower	Term and reversion method	Term yield	**3.50% – 4.50%**	3.50% – 4.50%
		Reversionary yield	**4.00% – 5.00%**	4.00% – 5.00%
		Market rent (per sqm p.a.)	**RMB4,092 – RMB11,700**	RMB3,960 – RMB11,700
Property 4-Zhuhai Every Garden	Term and reversion method	Term yield	**5.50% – 6.25%**	5.50% – 6.25%
		Reversionary yield	**6.00% – 6.50%**	6.00% – 6.50%
		Market rent (per sqm p.a.)	**RMB516 – RMB744**	RMB537 – RMB744
Property 5-Nanjing Xuanwu Lake Jinmao Plaza	Term and reversion method	Term yield	**3.50% – 5.00%**	3.50% – 5.50%
		Reversionary yield	**4.00% – 5.50%**	4.00% – 6.00%
		Market rent (per sqm p.a.)	**RMB1,980 – RMB7,608**	RMB1,980 – RMB7,314
Property 6-Changsha Meixi Lake International R&D Centre	Discounted cash flow method	Estimated rental value (per sqm p.a)	**RMB971**	RMB1,007
		Rental growth p.a.	**0.00% – 3.00% (3.00%)**	0.00% – 3.00% (3.00%)
		Long term vacancy rate	**4.11%**	4.11%
		Discount rate	**6.00%**	6.00%
Property 7-Lijiang J•LIFE	Term and reversion method	Term yield	**6.00%**	6.00%
		Reversionary yield	**6.50%**	6.50%
		Market rent (per sqm p.a.)	**RMB1,356**	RMB1,106

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2017	2016
Property 8-Shanghai International Shipping Service Center	Market comparable method	Price per sqm	**RMB56,875**	RMB65,300
Property 9-Qingdao Jinmao Harbour Shopping Mall	Term and reversion method	Term yield	**4.00%**	N/A
		Reversionary yield	**4.50%**	N/A
		Market rent (per sqm p.a.)	**RMB1,596**	N/A
Property 10-Ningbo Jiayuan Plaza	Term and reversion method	Term yield	**4.00%**	N/A
		Reversionary yield	**4.50%**	N/A
		Market rent (per sqm p.a.)	**RMB716 – RMB7,400**	N/A
Property 11-Ningbo Huijin Tower	Term and reversion method	Term yield	**4.00%**	N/A
		Reversionary yield	**4.50%**	N/A
		Market rent (per sqm p.a.)	**RMB7,400**	N/A
Property 12-Changsha Jinmao Mall of Splendor	Discounted cash flow method	Estimated rental value (per sqm p.a.)	**RMB1,267**	N/A
		Rental growth p.a.	**5.90%**	N/A
		Long term vacancy rate	**5.00%**	N/A
		Discount rate	**6.65%**	N/A
Property 13-Beijing Chaoyang Jinmao Centre Project	Residual method	Developer's profit rate	**5.00%**	N/A
	Term and reversion method	Reversionary yield	**5.00% – 6.00%**	N/A
		Market rent (per sqm p.a.)	**RMB2,316 – RMB4,200**	N/A
Property 14-Nanjing Southern Hexi Yuzui Land Parcel No.G97	Residual method	Developer's profit rate	**5.00%**	N/A
	Term and reversion method	Reversionary yield	**3.00% – 6.00%**	N/A
		Market rent (per sqm p.a.)	**RMB1,608 – RMB2,400**	N/A

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

A significant increase (decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the market rent would result in a significant increase (decrease) in the fair value of the investment properties.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. "In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. Units of comparison that are commonly used include analysing sales prices by calculating the price per square meter of a building or per hectare for land. Other units used for price comparison where there is sufficient homogeneity between the physical characteristics include a price per room or a price per unit of output, e.g., crop yields. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis."

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square metre. The market comparable approach is often used in combination with either the discounted cash flow or the term and reversion method as many inputs to these methods are based on market comparison.

A significant increase (decrease) in the price per square metre would result in a significant increase (decrease) in the fair value of the investment properties.

Residual method is essentially a mean of valuing land with reference to its development potential by deducting construction cost, interest and developer's profit from its estimated gross development value assuming it would have been completed as at the valuation date in accordance with latest development scheme provided to us by relevant parties. The estimated total and outstanding construction costs and development schedule to be advised by relevant parties will also be considered.

A significant increase (decrease) in the developer's profit rate would result in a significant decrease (increase) in the fair value of the investment properties.

18. PREPAID LAND LEASE PAYMENTS

	Notes	**2017** **RMB'000**	2016 RMB'000
Carrying amount at 1 January		**1,605,531**	2,424,026
Additions		**9,513**	1,746
Transfer to properties under development	14	**–**	(770,157)
Recognised during the year	6	**(53,926)**	(50,084)
Carrying amount at 31 December		**1,561,118**	1,605,531
Current portion included in prepayments, deposits and other receivables	24	**(53,213)**	(52,965)
Non-current portion		**1,507,905**	1,552,566

At 31 December 2017, certain of the Group's prepaid land lease payments with a net carrying amount of RMB160,288,000 (2016: RMB166,392,000) were pledged to secure bank loans granted to the Group (note 32).

19. INTANGIBLE ASSETS

	Computer software RMB'000	Others RMB'000	Total RMB'000
31 December 2017			
At 1 January 2017:			
Cost	**93,182**	**1,278**	**94,460**
Accumulated amortisation and impairment	**(64,096)**	**(1,070)**	**(65,166)**
Net carrying amount	**29,086**	**208**	**29,294**
Cost at 1 January 2017, net of accumulated amortisation and impairment	**29,086**	**208**	**29,294**
Additions	**14,634**	**–**	**14,634**
Acquisition of subsidiaries (note 41)	**385**	**–**	**385**
Disposals	**(3,177)**	**(208)**	**(3,385)**
Amortisation provided during the year	**(9,678)**	**–**	**(9,678)**
At 31 December 2017	**31,250**	**–**	**31,250**
At 31 December 2017:			
Cost	**104,894**	**–**	**104,894**
Accumulated amortisation and impairment	**(73,644)**	**–**	**(73,644)**
Net carrying amount	**31,250**	**–**	**31,250**

	Computer software RMB'000	Others RMB'000	Total RMB'000
31 December 2016			
At 1 January 2016:			
Cost	84,171	5,735	89,906
Accumulated amortisation and impairment	(53,410)	(1,938)	(55,348)
Net carrying amount	30,761	3,797	34,558
Cost at 1 January 2016, net of accumulated amortisation and impairment	30,761	3,797	34,558
Additions	9,011	1,278	10,289
Disposals	–	(3,884)	(3,884)
Amortisation provided during the year	(10,686)	(983)	(11,669)
At 31 December 2016	29,086	208	29,294
At 31 December 2016:			
Cost	93,182	1,278	94,460
Accumulated amortisation and impairment	(64,096)	(1,070)	(65,166)
Net carrying amount	29,086	208	29,294

20. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES

Investments in joint ventures

	2017 RMB'000	2016 RMB'000
Share of net assets	**2,994,050**	2,667,304

The amounts due from and to joint ventures are disclosed in note 25 to the financial statements.

All of the Group's investments in joint ventures are indirectly held by the Company.

The joint ventures of the Group are considered not individually material and the following table illustrates the aggregate financial information of the joint ventures:

	2017 RMB'000	2016 RMB'000
Share of the joint ventures' profit/(loss) for the year	**31,410**	(43,748)
Share of the joint ventures' total comprehensive income/(loss) for the year	**31,410**	(43,748)
Aggregate carrying amount of the Group's investments in the joint ventures	**2,994,050**	2,667,304

Joint operations

On 11 May 2010, the Company entered into a framework cooperation agreement with Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") pursuant to which the Company and Qingdao Urban Investment Group intended to jointly develop the Lanhai Xingang City project located in Qingdao, the PRC.

On 5 November 2010, Qingdao Jin Mao, an indirect wholly-owned subsidiary of the Company was established for the purpose of operating the Lanhai Xingang City project, and Qingdao Urban Investment Group entered into a capital increase agreement pursuant to which Qingdao Jin Mao agreed to inject RMB1 billion into Qingdao Lanhai Xingang City Properties Co., Ltd. ("Lanhai Xingang City"), a wholly-owned subsidiary of Qingdao Urban Investment Group, by way of capital injection to subscribe for its new registered capital.

On 28 July 2011, Qingdao Jin Mao completed the acquisition of a 50% equity interest in Lanhai Xingang City through contributing RMB1 billion to the newly registered capital of Lanhai Xingang City. On the same day, Qingdao Jin Mao and Qingdao Urban Investment Group entered into a supplementary agreement pursuant to which Lanhai Xingang City agreed to establish two branches, where branch 1 would be unilaterally managed and controlled by Qingdao Jin Mao in respect of the development of the Southern region with a land area of 200 mu (the "Southern Region") and branch 2 would be unilaterally managed and controlled by Qingdao Urban Investment Group in respect of the development of the Northern region with a total land area of 140 mu (the "Northern Region"). The land use right certificate in connection with the Southern Region is registered under the name of Lanhai Xingang City.

20. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

The Group considered this supplementary arrangement as a joint operation and recognised the assets, liabilities and revenue and expenses of branch 1 as the Group is given the rights to the assets and has obligations for the liabilities of branch 1 pursuant to the terms of the supplementary agreement.

The following table illustrates the summarised financial information of branch 1 of Lanhai Xingang City recognised in the Group's consolidated financial statements:

	2017 RMB'000	2016 RMB'000
Non-current assets		
Property, plant and equipment	**388**	543
Properties under development	**92,736**	79,459
Deferred tax assets	**–**	3,628
Investment properties	**608,000**	–
Total non-current assets	**701,124**	83,630
Current assets		
Properties held for sale	**417,753**	672,403
Properties under development	**206,594**	2,125,800
Prepayments, deposits and other receivables	**24,510**	110,399
Prepaid tax	**–**	177,427
Restricted bank balances	**57,446**	80,777
Cash and cash equivalents	**27,416**	7,236
Total current assets	**733,719**	3,174,042
Current liabilities		
Trade and bills payables	**528,200**	648,519
Tax payable	**4,490**	–
Other payables and accruals	**430,794**	2,244,643
Total current liabilities	**963,484**	2,893,162
Net current (liabilities)/assets	**(229,765)**	280,880
Total assets less current liabilities	**471,359**	364,510
Non current liabilities		
Deferred tax liabilities	**3,250**	–
Net assets	**468,109**	364,510

	2017 RMB'000	2016 RMB'000
Revenue	**2,113,194**	66,584
Cost of sales	**(1,669,861)**	(33,561)
Gross profit	**443,333**	33,023
Other income and gains	**3,016**	3,817
Selling and marketing expenses	**(18,983)**	(25,374)
Administrative expenses	**(7,597)**	(9,680)
Profit before tax	**419,769**	1,786
Income tax	**(242,169)**	(1,204)
Profit for the year	**177,600**	582

21. INVESTMENTS IN ASSOCIATES

	2017 **RMB'000**	2016 RMB'000
Share of net assets	**3,843,690**	2,708,699

The amounts due from and to associates are disclosed in note 25 to the financial statements.

All of the Group's investments in associates are indirectly held by the Company.

The Group has discontinued the recognition of its share of loss of certain associates because the share of loss of the associates exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the associates for the current year and cumulatively were RMB15,985,000 (2016: RMB33,695,000) and RMB49,680,000 (2016: RMB33,695,000), respectively.

The associates of the Group are considered not individually material and the following table illustrates the aggregate financial information of the associates:

	2017 **RMB'000**	2016 RMB'000
Share of the associates' profit/(loss) for the year	**31,622**	(28,459)
Share of the associates' total comprehensive income/(loss) for the year	**31,622**	(28,459)
Aggregate carrying amount of the Group's investments in the associates	**3,843,690**	2,708,699

22. INVENTORIES

	2017 **RMB'000**	2016 RMB'000
Raw materials	**58,684**	83,283
Consumables and tools	**4,142**	1,086
Hotel merchandise	**12,301**	13,674
Trading stock	**2,710**	2,887
	77,837	100,930

23. TRADE RECEIVABLES

	2017 **RMB'000**	**2016** **RMB'000**
Trade receivables	**925,862**	6,451,005
Impairment	**(5,952)**	(4,528)
	919,910	6,446,477

23. TRADE RECEIVABLES (Continued)

Consideration in respect of properties sold is receivable in accordance with the terms of the related sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	2017 **RMB'000**	2016 RMB'000
Within 1 month	**169,451**	5,230,692
1 to 3 months	**24,407**	10,723
4 to 6 months	**10,798**	1,075,082
6 months to 1 year	**446,119**	43,158
Over 1 year	**269,135**	86,822
	919,910	6,446,477

The Group has pledged trade receivables of approximately RMB23,453,000 (2016: RMB21,557,000) to secure a bank loan granted to the Group (note 32).

The movements in provision for impairment of trade receivables are as follows:

	2017 **RMB'000**	2016 RMB'000
At 1 January	**4,528**	5,465
Impairment losses recognised/(reversed) (note 6)	**1,424**	(937)
	5,952	4,528

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB5,952,000 (2016: RMB4,528,000) with a carrying amount before provision of RMB5,952,000 (2016: RMB4,528,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default.

23. TRADE RECEIVABLES (Continued)

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**911,835**	6,441,843
Less than 1 month past due	**2,881**	3,850
1 to 3 months past due	**2,640**	274
Over 3 months past due	**2,554**	510
	919,910	6,446,477

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

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Prepayments	**7,258,858**	5,776,114
Deposits	**3,202,826**	103,677
Other receivables	**2,511,078**	1,197,183
Due from non-controlling shareholders	**2,962,300**	1,356,519
Entrusted loans to a third parties (current portion)	**3,941,722**	125,000
Prepaid land lease payments (note 18)	**53,213**	52,965
	19,929,997	8,611,458

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The current balance of amounts due from non-controlling shareholders are unsecured, interest-free and repayable within one year, except for the amounts of RMB2,962,300,000, in aggregate, which bear interest at rates from 0.35% to 2.75% per annum (2016: RMB833,500,000, in aggregate, which bore interest at rates of 0.35% per annum).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The current balance of the entrustment loans to third parties are unsecured amounts of RMB3,941,722,000, in aggregate, which bear interest at rates from 2.175% to 4.75% per annum (2016: RMB125,000,000, in aggregate, which bore interest at a rate of 4.75% per annum) and are receivable within one year.

25. BALANCES WITH RELATED PARTIES

An analysis of the balances with related parties is as follows:

	Notes	2017 RMB'000	2016 RMB'000
Current:			
Due from related parties:			
Ultimate holding company		**34**	34
Intermediate holding company		**830**	2,965
Immediate holding company		**1,182**	1,236
Fellow subsidiaries	(i)	**367,447**	319,517
Associates	(ii)	**7,406,067**	2,433,957
Joint ventures	(iii)	**14,487,430**	13,681,764
An associate of the Group's ultimate holding company		**4**	4,563
		22,262,994	16,444,036
Non-current:			
Due from a related party:			
Joint venture	(iv)	**1,824,350**	–
Due to related parties:			
Ultimate holding company		**2,170**	2,201
Intermediate holding company		**23,092**	22,808
Immediate holding company		**3,945,715**	4,425,765
Fellow subsidiaries		**54,480**	47,446
Associates		**2,053,557**	1,602,072
Joint ventures		**1,054,771**	2,889,940
An associate of the Group's ultimate holding company		**24,041**	19,140
		7,157,826	9,009,372

The current balances of amounts due from related parties are unsecured, interest-free and are repayable on demand, except for the following:

(i) The current balances of amounts due from fellow subsidiaries include an amount of RMB366,000,000 (2016: RMB315,000,000) which bears interest at a rate of 2.18% per annum.

(ii) The current balances of amounts due from associates include the amounts of RMB337,545,000 (2016: RMB205,395,000) and RMB153,000,000 (2016: RMB35,331,000) which bear interest at rates of 5.23% and 7.35% per annum, respectively.

25. BALANCES WITH RELATED PARTIES (Continued)

(iii) The current balances of amounts due from joint ventures include the amounts of RMB105,260,000 (2016: RMB38,220,000), RMB1,373,646,000 (2016: Nil), RMB2,074,929,000 (2016: Nil), RMB21,000,000 (2016: Nil) and RMB1,556,117,500 (2016: Nil) which bear interest at rates of 4.35%, 7.00%, 6.00%, 2.45% and 4.60% per annum, respectively.

(iv) The non-current balances of amounts due from a joint venture include the amount of RMB1,824,350,000 (2016: Nil) which bears interest at a rate of 8.00% per annum.

The current balances of amounts due to related parties are unsecured, interest-free and are repayable on demand.

26. OTHER FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
Non-current balance	**223,713**	180,000
Current balance	**6,004,007**	71,430
	6,227,720	251,430

The current balance of other financial assets as at 31 December 2017 included financial products with original maturity of less than three months when acquired from banks of RMB6,000,000 (2016: RMB71,430,000).

The non-current balance of other financial assets as at 31 December 2017 included (1) an unlisted equity investment with a carrying amount of RMB181,225,000 (2016:RMB180,000,000). Since the unlisted equity investment did not have a quoted market price in an active market and its fair value cannot be reliably measured, it was stated at cost less impairment. The Group does not intend to dispose of it in the near future; and (2) financial products with original maturity of over one year when acquired from banks of RMB42,488,000 (2016: Nil).

27. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	2017 RMB'000	2016 RMB'000
Cash and bank balances	**18,501,592**	15,777,548
Time deposits	**4,140,142**	4,596,408
	22,641,734	20,373,956
Less:		
Restricted bank balances	**(3,235,181)**	(2,328,374)
Cash and cash equivalents	**19,406,553**	18,045,582

27. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES (Continued)

At 31 December 2017, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB16,177,436,000 (2016: RMB14,981,393,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of within one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in the Group's cash and cash equivalents are deposits of RMB3,497,067,000 (2016: RMB2,351,418,000) placed with Sinochem Group Finance Co., Ltd. ("Sinochem Finance"), a financial institution approved by the People's Bank of China. The interest rates on these deposits ranged from 0.35% to 1.38% per annum (2016: 0.35% to 1.655%). Further details of the interest income attributable to the deposits placed with Sinochem Finance are set out in note 47(a) to the financial statements.

28. DUE FROM NON-CONTROLLING SHAREHOLDERS

The non-current balance of amounts due from non-controlling shareholders are unsecured, bear interest at rates from 2.38% to 5.23% per annum and are not repayable within one year.

29. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on invoice date is as follows:

	2017 **RMB'000**	2016 RMB'000
Within 1 year or on demand	**6,537,039**	9,212,454
Over 1 year	**2,626,078**	1,618,232
	9,163,117	10,830,686

The trade and bills payables are non-interest-bearing and are normally settled on 60-day terms.

30. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Other payables	**9,747,368**	3,104,207
Receipts in advance	**38,928,799**	28,278,803
Accruals	**155,531**	140,629
Due to non-controlling shareholders	**8,600,570**	1,541,899
Dividend payable to non-controlling shareholders	**295,676**	71,741
	57,727,944	33,137,279

Other payables are non-interest-bearing with an average term of not more than one year.

The amounts due to non-controlling shareholders as at 31 December 2017 are unsecured, interest-free and are repayable on demand, except for the amounts of RMB7,499,374,000, in aggregate, which bear interest at rates from 4.35% to 7.00% per annum.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 Liabilities RMB'000
Forward currency contracts	77,440

Derivative financial instruments of the Group were conducted with creditworthy banks.

The Group is exposed to the risk of fluctuations in foreign exchange rates in its foreign operations. In 2017, the Group entered into forward currency contracts of USD against RMB as hedges to manage its currency risk arising from certain net investments in foreign operations. For the year ended 31 December 2017, a net loss on hedging instruments of RMB79,713,000 was recognised in other comprehensive income on the effective portion of net investment hedges, and the ineffective portion of RMB2,273,000 was recognised in the statement of profit or loss (2016: nil).

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans, unsecured	**1.67-4.79**	**2018**	**4,164,879**	1.32-10.56	2017	2,881,639
Other loans, unsecured	**5.70-6.30**	**2018**	**12,220,000**	2.90-6.00	2017	1,151,000
Notes, unsecured	**4.65**	**2018**	**1,000,000**	–	–	–
Current portion of long term bank loans, secured	**4.46-6.37**	**2018**	**5,352,424**	4.90	2017	1,532,000
Current portion of long term bank loans, unsecured	**1.94-5.65**	**2018**	**4,161,542**	3.99-4.75	2017	2,637,405
Current portion of long term other loans, unsecured	**3.53-4.99**	**2018**	**72,000**	3.53-4.99	2017	274,350
Current portion of long term notes, unsecured	**5.38**	**2018**	**855,716**	4.83-5.60	2017	4,467,559
			27,826,561			12,943,953
Non-current						
Bank loans, secured	**4.46-6.65**	**2019-2030**	**7,439,473**	4.28-6.30	2018-2026	11,272,500
Bank loans, unsecured	**1.87-5.65**	**2019-2024**	**11,926,341**	1.77-5.40	2018-2024	6,951,556
Other loans, unsecured	**3.53-6.50**	**2019-2034**	**5,900,910**	5.50	2019-2034	4,174,261
Notes, unsecured	**3.60-6.75**	**2019-2022**	**16,045,961**	4.83-6.85	2018-2022	10,388,470
Domestic corporate bonds, unsecured	**3.55**	**2020**	**2,192,235**	3.55	2020	2,194,030
			43,504,920			34,980,817
			71,331,481			47,924,770

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2017 RMB'000	2016 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**13,678,845**	7,051,044
In the second year	**10,778,653**	8,641,994
In the third to fifth years, inclusive	**7,183,661**	8,302,062
Beyond five years	**1,403,500**	1,280,000
	33,044,659	25,275,100
Other borrowings repayable:		
Within one year	**14,147,716**	5,892,909
In the second year	**4,327,286**	2,141,190
In the third to fifth years, inclusive	**16,110,820**	9,480,961
Beyond five years	**3,701,000**	5,134,610
	38,286,822	22,649,670
	71,331,481	47,924,770

Notes:

(a) As at 31 December 2017, the Group had loan facilities amounting to RMB95,778,360,000 (2016: RMB58,312,729,000), of which RMB51,237,569,000 (2016: RMB30,874,711,000) had been utilised.

(b) Certain of the Group's bank loans are secured by:

(i) mortgages over certain of the Group's property, plant and equipment, which had an aggregate net carrying value at the end of the reporting period of approximately RMB322,653,000 (2016: RMB328,857,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of approximately RMB25,829,469,000 (2016: RMB8,496,473,000);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of RMB3,023,504,000 (2016: RMB175,857,000);

(iv) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately RMB12,553,080,000 (2016: RMB12,493,860,000);

(v) mortgages over certain of the Group's prepaid land lease payments, which had an aggregate carrying amount at the end of the reporting period of RMB160,288,000 (2016: RMB166,392,000);

(vi) mortgages over certain of the Group's trade receivables, which had an aggregate carrying amount at the end of the reporting period of RMB23,453,000 (2016: RMB21,557,000); and

(vii) pledge of certain of the equity interest in the Company's subsidiaries, which had an aggregate carrying amount at the end of the reporting period of RMB551,668,000 (2016: RMB50,000,000).

(c) Except for the bank and other borrowings amounting to approximately RMB16,768,056,000 (2016: RMB21,377,022,000) which are denominated in United States dollars and RMB4,726,271,000 (2016: RMB2,443,607,000) which are denominated in Hong Kong dollars, all bank and other borrowings are denominated in RMB.

33. PROVISION FOR LAND APPRECIATION TAX

	RMB'000
At 1 January 2016	1,896,220
Charged to the statement of profit or loss during the year (note 10)	1,645,489
Payment during the year	(82,309)
Transfer from prepaid tax	(215,294)
At 31 December 2016 and 1 January 2017	**3,244,106**
Acquisition of subsidiaries (note 41)	**7,016**
Charged to the statement of profit or loss during the year (note 10)	**1,105,892**
Payment during the year	**(325,844)**
Transfer from prepaid tax	**(397,533)**
At 31 December 2017	**3,633,637**

PRC land appreciation tax

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

Effective from 1995, the local tax bureau requires the prepayment of LAT on the pre-sales and sales proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 3.5% on the pre-sales and sales proceeds of the Group's properties.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set out in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

34. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Revaluation of properties RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Withholding taxes RMB'000	Accrued interest income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	3,213,002	433,955	638,318	58,337	83,899	96,648	4,524,159
Deferred tax charged/ (credited) to the statement of profit or loss during the year (note 10)	210,485	45,970	(14,294)	–	27,927	16,138	286,226
Gross deferred tax liabilities at 31 December 2016 and 1 January 2017	**3,423,487**	**479,925**	**624,024**	**58,337**	**111,826**	**112,786**	**4,810,385**
Acquisition of subsidiaries (note 41)	**–**	**–**	**99,577**	**–**	**–**	**–**	**99,577**
Deferred tax charged/ (credited) to the statement of profit or loss during the year (note 10)	**19,945**	**52,664**	**(14,489)**	**83,860**	**4,008**	**(13,997)**	**131,991**
Deferred tax charged to the statement of comprehensive income during the year	**319**	**–**	**–**	**–**	**–**	**–**	**319**
Disposal of subsidiaries (note 42)	**(5,927)**	**(1,821)**	**–**	**–**	**–**	**–**	**(7,748)**
Gross deferred tax liabilities at 31 December 2017	**3,437,824**	**530,768**	**709,112**	**142,197**	**115,834**	**98,789**	**5,034,524**

34. DEFERRED TAX (Continued)

Deferred tax assets

	Provision for LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	473,392	220,834	264,517	60,512	1,019,255
Deferred tax (charged)/ credited to the statement of profit or loss during the year (note 10)	343,565	2,412	(27,094)	39,303	358,186
Gross deferred tax assets at 31 December 2016 and 1 January 2017	**816,957**	**223,246**	**237,423**	**99,815**	**1,377,441**
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	**67,346**	**(100,980)**	**244,086**	**(74,102)**	**136,350**
Disposal of subsidiaries (note 42)	**–**	**(9,395)**	**–**	**–**	**(9,395)**
Gross deferred tax assets at 31 December 2017	**884,303**	**112,871**	**481,509**	**25,713**	**1,504,396**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2017 RMB'000	2016 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**1,491,568**	1,364,011
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(5,021,696)**	(4,796,955)
	(3,530,128)	(3,432,944)

The Group also has tax losses arising in Mainland China of RMB2,246,775,000 (2016: RMB1,102,386,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

34. DEFERRED TAX (Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2017, the Group recognised deferred tax liabilities of approximately RMB142,197,000 (2016: RMB58,337,000) for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that the remaining unremitted earnings of the Group's subsidiaries, joint ventures and joint operations will be distributed in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, joint ventures and joint operations in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB21,822,710,000 at 31 December 2017 (2016: RMB20,847,219,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. PERPETUAL CONVERTIBLE SECURITIES

On 12 October 2010, Franshion Capital Limited, a direct wholly-owned subsidiary of the Company, issued perpetual convertible securities with a nominal value of US$600 million (equivalent to RMB4,015,497,000). The direct transaction costs attributable to the perpetual convertible securities amounted to RMB57,936,000.

The perpetual convertible securities are convertible at the option of the holders of perpetual convertible securities into ordinary shares of the Company at any time on or after 11 October 2011 at the initial conversion price of HK$2.83 per ordinary share of the Company. While the perpetual convertible securities confer a right to receive distributions at 6.8% per annum, Franshion Capital Limited may, at its sole discretion, elect to defer a distribution pursuant to the terms of the perpetual convertible securities. The conversion price is adjusted from HK$2.83 to HK$2.80 per ordinary share with effect from 20 June 2014, being the date immediately after the record date fixed for the purpose of determining shareholder' entitlement to the 2013 final dividends. The conversion price is adjusted from HK$2.80 to HK$2.74 per ordinary share with effect from 18 July 2015, being the date immediately after the record date fixed for the purpose of determining shareholders' entitlement to the 2014 final dividends.

The perpetual convertible securities have no maturity date and are redeemable at the option of Franshion Capital Limited at any time after 11 October 2015 at 110% of the outstanding principal amount, together with all outstanding arrears of distribution (if any) and the distribution accrued to the date fixed for redemption. The perpetual convertible securities are also redeemable at the option of the holders of perpetual convertible securities upon any delisting or prolonged suspension (for a period of 90 consecutive days) arising from or as a result of an application to the Hong Kong Stock Exchange having been initiated or made by the Company or such delisting or prolonged suspension having been effected or imposed through any other means controlled by the Company or otherwise resulting from any action of the Company.

35. PERPETUAL CONVERTIBLE SECURITIES (Continued)

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

On 14 June 2016, the Group partially repurchased perpetual convertible securities with an aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,319,187,000), at the total consideration of US$218,340,000 (equivalent to approximately RMB1,439,925,000).

On 27 April 2017, the Group repurchased the remaining perpetual convertible securities with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,638,374,000) at the total consideration of US$441,133,000 (equivalent to approximately RMB3,036,982,000).

36. PERPETUAL SECURITIES

(a) 2016 Subordinate Guaranteed Perpetual Capital Securities

On 4 February 2016, Franshion Brilliant Limited, a wholly-owned subsidiary of the Company, issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,270,950,000). The direct transaction costs attributable to the issuance amounted to US$1,470,000 (equivalent to approximately RMB9,619,000).

The securities confer a right to receive distributions at the applicable distribution rate of 6% per annum from and including 4 February 2016, payable semi-annually on 4 February and 4 August of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

(b) 2016 Domestic Renewable Corporate Bonds

On 16 June 2016, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, issued the domestic renewable corporate bonds with an aggregate principal amount of RMB2,000,000,000. The direct transaction costs attributable to the issuance amounted to RMB5,737,000.

The coupon rate was fixed at 3.70% and every three interest-bearing years shall be a cycle. The Group has the option for extension at the end of every three interest-bearing years.

36. PERPETUAL SECURITIES (Continued)

(c) 2017 Subordinate Guaranteed Perpetual Capital Securities

On 17 January 2017, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an amount of US$497,615,000 (equivalent to approximately RMB3,433,145,000), at 99.523% of the principal amount of US$500,000,000. The direct transaction costs attributable to the issuance amounted to US$3,862,000 (equivalent to approximately RMB26,645,000).

The securities confer a right to receive distributions at the applicable distribution rate of 5.75% per annum from and including 17 January 2017, payable semi-annually on January 17 and July 17 of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

On 6 November 2017, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,987,410,000). The direct transaction costs attributable to the issuance amounted to US$196,000 (equivalent to approximately RMB1,296,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.875% per annum from and including 6 May 2018, payable semi-annually on May 6 and November 6 of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

(d) 2017 Senior Guaranteed Perpetual Capital Securities

On 3 July 2017, Franshion Brilliant Limited issued the senior guaranteed perpetual capital securities in an aggregate principal amount of US$300,000,000 (equivalent to RMB2,033,160,000). On 1 September 2017, Franshion Brilliant Limited completed another issue of the senior guaranteed perpetual capital securities with an amount of US$200,182,000 (equivalent to RMB1,319,380,000), at 100.091% of the principal amount of US$200,000,000 and an accrued distribution of US$1,289,000 (equivalent to RMB8,495,000) compensated from the bankers.

The securities confer a right to receive distribution at 4.00% per annum payable semi-annually in arrears beginning on 3 January 2018 with no stated maturity date. The transaction costs related to the issuance were approximately US$1,735,000 (equivalent to RMB11,566,000).

36. PERPETUAL SECURITIES (Continued)

(e) 2017 Hwabao Trust Perpetual Capital Securities

On 22 December 2017, Jinmao Investment Management (Shanghai) Co., Ltd. completed an issue of the guaranteed perpetual capital securities, in an aggregate principal amount of RMB621,000,000 with the trust plan established by Hwabao Trust Co., Ltd. The securities confer a right to receive distribution at 6.95% per annum payable semi-annually in arrears beginning on 21 June 2018.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of the securities in (a) to (e) above due to redemption other than an unforeseen liquidation of the Company or the issuers. Accordingly, these securities are classified as equity instruments.

37. SHARE CAPITAL

Shares

	2017 RMB'000	2016 RMB'000
Issued and fully paid:		
10,675,477,349 (2016: 10,671,810,609) ordinary shares	**9,729,632**	9,726,451

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2016, 31 December 2016 and 1 January 2017	**10,671,810,609**	17,691,782
Share options exercised (note)	**3,666,740**	10,594
31 December 2017	**10,675,477,349**	17,702,376

Note: 3,666,740 share options were exercised at the subscription price of HK$2.44 per share (note 38), resulting in the issue of 3,666,740 shares for a total cash consideration, before expenses, of RMB7,762,000. An amount of RMB2,832,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the financial statements.

38. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive and non-executive directors and the Group's senior management, key technical and professional personnel, managers and employees, but do not include the Company's independent non-executive directors. The Scheme became effective on 22 November 2007 and has expired on 22 November 2017, after 10 years from the effective date. However, the options granted under the Scheme continue to be valid and exercisable in accordance with the terms of issue.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options is related to the performance of individuals and of the Company. The board of directors will determine performance targets concerned and set out in the grant notice. The share options granted will become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the grant date of the share options; (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the grant date; and (iii) the par value of the Company's share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

38. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the year:

	2017 Weighted average exercise price HK$ per share	2017 Number of options	2016 Weighted average exercise price HK$ per share	2016 Number of options
At 1 January	**2.21**	**184,374,920**	2.43	30,322,840
Granted during the year	**–**	**–**	2.20	172,350,000
Forfeited during the year	**2.56**	**(25,110,300)**	2.43	(18,297,920)
Exercised during the year	**2.44**	**(3,666,740)**	–	–
At 31 December	**2.21**	**155,597,880**	2.21	184,374,920

The weighted average share price at the date of exercise of share options exercised during the year was HK$2.44 per share (2016: No share options were exercised).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2017

Number of options	Exercise price* HK$ per share	Exercise period
3,574,240	**2.44**	**28 November 2014 to 27 November 2019**
4,443,640	**2.44**	**28 November 2015 to 27 November 2019**
49,092,000	**2.196**	**17 October 2018 to 16 October 2023**
49,092,000	**2.196**	**17 October 2019 to 16 October 2023**
49,396,000	**2.196**	**17 October 2020 to 16 October 2023**
155,597,880		

2016

Number of options	Exercise price* HK$ per share	Exercise period
5,346,580	2.44	28 November 2014 to 27 November 2019
7,448,340	2.44	28 November 2015 to 27 November 2019
57,076,000	2.196	17 October 2018 to 16 October 2023
57,076,000	2.196	17 October 2019 to 16 October 2023
57,428,000	2.196	17 October 2020 to 16 October 2023
184,374,920		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

38. SHARE OPTION SCHEME (Continued)

The fair value of the share options granted during the year ended 31 December 2016 was HK$80,332,000 (HK$0.47 each), of which the Group recognised a share option expense of HK$28,467,000 (equivalent to RMB24,690,000) (2016: RMB5,075,000) during the year ended 31 December 2017.

The fair value of the share options granted during the year ended 31 December 2012 was HK$51,858,000 (HK$0.89 each), of which no share option expense (2016: RMB4,067,000), was recognised by the Group during the year ended 31 December 2017.

The fair value of the share options granted during the year ended 31 December 2008 was HK$7,604,000, which was fully recognised in prior years.

The fair value of equity-settled share options granted during the year ended 31 December 2016 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	2.99
Expected volatility (%)	36.58
Historical volatility (%)	36.58
Risk-free interest rate (%)	0.90
Contractual life of options (year)	5.05
Exercise multiple (times)	1.13
Weighted average share price (HK$ per share)	2.16

The expected life of the options is calculated based on the average of weighted vesting period and contractual period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 155,597,880 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 155,597,880 additional ordinary shares of the Company and additional share capital of HK$343,649,000 (equivalent to RMB287,260,000) (before issue expenses).

39. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 162 to 163 of the financial statements.

Capital reserve

The capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of an additional equity interest in a non-wholly-owned subsidiary, the difference between the cost of acquisition and the non-controlling interests acquired.

PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in Mainland China and were approved by the board of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of their registered capital.

Asset revaluation reserve

The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties carried at fair value.

Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	SISSC RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2017			
Percentage of equity interest held by non-controlling interests	**50%**	**73.50%**	**33.23%**
Profit/(loss) for the year allocated to non-controlling interests	**54,757**	**(9,509)**	**73,025**
Dividends declared to non-controlling interests	**1,483,021**	**-**	**200,209**
Accumulated balances of non-controlling interests at the reporting date	**1,725,585**	**3,295,832**	**2,173,439**

	SISSC RMB'000	Shanghai Yin Hui RMB'000	Shanghai Xingwaitan RMB'000	JCHIML Group RMB'000
2016				
Percentage of equity interest held by non-controlling interests	50%	50%	50%	33.47%
Profit/(loss) for the year allocated to non-controlling interests	1,324,732	122,557	(1,688)	124,816
Dividends declared to non-controlling interests	–	–	–	182,998
Accumulated balances of non-controlling interests at the reporting date	3,153,849	1,812,574	2,985,908	2,162,615

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	SISSC RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2017			
Revenue	**–**	**–**	**2,595,448**
Total expenses	**109,514**	**(12,938)**	**(2,375,505)**
Profit/(loss) for the year	**109,514**	**(12,938)**	**219,943**
Total comprehensive income/(loss) for the year	**109,514**	**(12,938)**	**562,079**
Current assets	**6,219,136**	**3,122,842**	**1,149,240**
Non-current assets	**315,875**	**4,299,625**	**17,179,095**
Current liabilities	**(3,083,842)**	**(2,898,432)**	**(8,059,321)**
Non-current liabilities	**–**	**(36,973)**	**(3,790,632)**
Net cash flows from/(used in) operating activities	**2,625,246**	**(7,127,217)**	**890,714**
Net cash flows used in investing activities	**(1,983,402)**	**(336)**	**(293,568)**
Net cash flows (used in)/from financing activities	**(5,964,710)**	**7,255,277**	**(486,366)**
Net (decrease)/increase in cash and cash equivalents	**(5,322,866)**	**127,724**	**110,780**

	SISSC RMB'000	Shanghai Yin Hui RMB'000	Shanghai Xingwaitan RMB'000	JCHIML Group RMB'000
2016				
Revenue	10,699,631	796,383	(487)	2,450,751
Total expenses	(8,050,167)	(551,270)	(2,889)	(2,076,125)
Profit/(loss) for the year	2,649,464	245,113	(3,376)	374,626
Total comprehensive income/(loss) for the year	2,649,464	245,113	(3,376)	79,891
Current assets	11,536,167	332,967	8,522,344	1,025,722
Non-current assets	2,552,694	4,722,635	10,775	17,381,497
Current liabilities	(7,781,163)	(1,121,415)	(2,561,303)	(6,510,662)
Non-current liabilities	–	(256,303)	–	(5,361,097)
Net cash flows from/(used in) operating activities	4,411,490	(465,303)	(1,310,863)	1,244,165
Net cash flows used in investing activities	(14,571)	–	(581)	(252,204)
Net cash flows from/(used in) financing activities	587,147	–	1,412,940	(830,915)
Net increase/(decrease) in cash and cash equivalents	4,984,066	(465,303)	101,496	161,046

41. BUSINESS COMBINATION

(1) Acquisition of Ningbo Ningxing Group

On 2 August 2017, the Group acquired 80.5% equity interest in Ningbo Ningxing Properties Development Group Co., Ltd. from Ningbo Ningshun Investment LLP, an independent third party, at a cash consideration of RMB669,532,000. Ningbo Ningxing Properties Development Group Co., Ltd. and its subsidiaries (the "Ningbo Ningxing Group") are engaged in the property rental, property development, construction and operation of real estate projects in Ningbo, the PRC.

The Group has elected to measure the non-controlling interest in the Ningbo Ningxing Group at the non-controlling interest's proportionate share of the Ningbo Ningxing Group's identifiable net assets.

The fair values of the identifiable assets and liabilities of Ningbo Ningxing Group as at the date of acquisition were as follows:

	Notes	RMB'000
Property, plant and equipment	13	33,414
Investment properties	17	312,765
Other financial assets		8,560
Properties held for sale		400,803
Trade receivables		1,329
Prepayments, deposits and other receivables		523,746
Prepaid tax		35,176
Cash and cash equivalents		261,669
Trade payables		(185,122)
Other payables and accruals		(452,539)
Long-term bank borrowings-current portion		(13,000)
Tax payable		(8,158)
Provision for land appreciation tax	33	(7,016)
Interest-bearing bank and other borrowings		(82,000)
Deferred tax liabilities	34	(45,814)
Total identifiable net assets at fair value		783,813
Non-controlling interests		(38,347)
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5	(1,472)
		743,994
Satisfied by:		
Cash		669,532
Other payables and accruals		74,462
Total purchase consideration		743,994

41. BUSINESS COMBINATION (Continued)

(1) Acquisition of Ningbo Ningxing Group (Continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB1,329,000 and RMB523,746,000, respectively, which are equal to their gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

The Group incurred transaction costs of RMB661,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The Group recognised a gain on bargain purchase of approximately RMB1,472,000 in the consolidated statement of profit or loss for the year ended 31 December 2017, which was, in the opinion of the directors, primarily attributable to the Group's ability in negotiating the agreed terms of the transaction with Ningbo Ningshun Investment LLP, as the Group has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(669,532)
Cash and bank balances acquired	261,669
Net outflow of cash and cash equivalents included in cash flows from investing activities	(407,863)
Transaction costs of the acquisition included in cash flows from operating activities	(661)
	(408,524)

Since the acquisition, Ningbo Ningxing Group contributed RMB194,782,000 to the Group's revenue and debit RMB7,470,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB32,899,372,000 and RMB4,478,513,000, respectively.

41. BUSINESS COMBINATION (Continued)

(2) Acquisition of Beijing Xingyi Group

On 6 September 2017, the Group acquired additional 50% equity interest in Beijing Xingyi Properties Co., Ltd. from an independent third party at a cash consideration of RMB54,500,000. Beijing Xingyi Properties Co., Ltd. and its non-wholly-owned subsidiary (the "Beijing Xingyi Group") are engaged in the property development of a real estate project in Beijing, the PRC. Before the acquisition, the Group held 50% equity interest in Beijing Xingyi Group and accounted for Beijing Xingyi Group as a joint venture of the Group.

The Group remeasured the fair value of the equity interest held at the date of acquisition at an amount of RMB54,569,000, and a fair value gain of RMB15,542,000 was recognised in other income and gains in the consolidated statement of profit or loss during the year ended 31 December 2017 (note 5).

The fair values of the identifiable assets and liabilities of Beijing Xingyi Group as at the date of acquisition were as follows:

	Notes	RMB'000
Property, plant and equipment	13	69
Intangible assets	19	385
Properties under development	14	4,598,172
Prepayments, deposits and other receivables		96,565
Prepaid tax		110,769
Cash and cash equivalents		329,555
Trade and bills payables		(312,136)
Other payables and accruals		(3,388,492)
Interest-bearing bank and other borrowings		(1,199,423)
Deferred tax liabilities	34	(19,345)
Total identifiable net assets at fair value		216,119
Non-controlling interests		(106,981)
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5	(69)
		109,069
Satisfied by:		
Cash		54,500
Fair value of equity interest previously held as investment in a joint venture		54,569
Total purchase consideration		109,069

41. BUSINESS COMBINATION (Continued)

(2) Acquisition of Beijing Xingyi Group (Continued)

The fair values of its other receivables as at the date of acquisition amounted RMB96,565,000, which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

The Group incurred transaction costs of RMB3,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The Group recognised a gain on bargain purchase of approximately RMB69,000 in the consolidated statement of profit or loss for the year ended 31 December 2017, which was, in the opinion of the directors, primarily attributable to the Group's ability in negotiating the agreed terms of the transaction with the independent third party, as the Group has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(54,500)
Cash and bank balances acquired	329,555
Net inflow of cash and cash equivalents included in cash flows from investing activities	275,055
Transaction costs of the acquisition included in cash flows from operating activities	(3)
	275,052

Since the acquisition, Beijing Xingyi Group contributed RMB2,102,149,000 to the Group's revenue and RMB172,481,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB31,074,845,000 and RMB5,150,199,000, respectively.

41. BUSINESS COMBINATION (Continued)

(3) Acquisition of Shanghai Tuoying Group

On 29 December 2017, the Group acquired additional 50% equity interest in Shanghai Tuoying Industrial Co., Ltd. from an independent third party at a cash consideration of RMB8,720,000. Shanghai Tuoying Industrial Co., Ltd. and its wholly owned subsidiary (the "Tuoying Group") are engaged in the property development of a real estate project in Beijing, the PRC. Before the acquisition, the Group held 50% equity interest in Tuoying Group and accounted for Tuoying Group as a joint venture of the Group.

The Group remeasured the fair value of the equity interest held at the date of acquisition at an amount of RMB8,778,000, and a fair value gain of RMB8,778,000 was recognised in other income and gains in the consolidated statement of profit or loss during the year ended 31 December 2017 (note 5).

The fair values of the identifiable assets and liabilities of Tuoying Group as at the date of acquisition were as follows:

	Notes	RMB'000
Property, plant and equipment	13	955
Properties under development	14	4,465,423
Prepayments, deposits and other receivables		51,357
Prepaid tax		9,407
Cash and cash equivalents		282,754
Trade and bills payables		(90,335)
Other payables and accruals		(2,429,183)
Due to related parties		(2,904)
Interest-bearing bank and other borrowings		(2,235,500)
Deferred tax liabilities	34	(34,418)
Total identifiable net assets at fair value		17,556
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5	(58)
		17,498
Satisfied by:		
Cash		8,720
Fair value of equity interest previously held as investment in a joint venture		8,778
Total purchase consideration		17,498

41. BUSINESS COMBINATION (Continued)

(3) Acquisition of Shanghai Tuoying Group (Continued)

The fair values of its other receivables as at the date of acquisition amounted RMB51,357,000, which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

The Group incurred transaction costs of RMB192,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The Group recognised a gain on bargain purchase of approximately RMB58,000 in the consolidated statement of profit or loss for the year ended 31 December 2017, which was, in the opinion of the directors, primarily attributable to the Group's ability in negotiating the agreed terms of the transaction with the independent third party, as the Group has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(8,720)
Cash and bank balances acquired	282,754
Net inflow of cash and cash equivalents included in cash flows from investing activities	274,034
Transaction costs of the acquisition included in cash flows from operating activities	(192)
	273,842

Since the acquisition, Tuoying Group contributed no revenue to the Group and no profit to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB31,074,845,000 and RMB5,150,156,000, respectively.

42. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2017 and 31 December 2016, the Group lost control over certain subsidiaries.

	Notes	2017 RMB'000	2016 RMB'000
Net assets/(net liabilities) disposed of:			
Property, plant and equipment	13	**1,047**	153
Investment properties	17	**242,858**	–
Deferred tax assets	34	**9,395**	–
Other non-current assets		**–**	1,191
Cash and cash equivalents		**64,108**	151,306
Properties under development	14	**10,452,746**	23,516
Prepayments		**107**	3,510,000
Other current assets		**2,419**	85,754
Trade and bills payables		**(520,964)**	–
Other payables and accruals		**(3,300)**	(1,405,213)
Tax payable		**(1,061)**	–
Deferred tax liabilities	34	**(7,748)**	–
Interest-bearing bank and other borrowings		**(3,388,000)**	(2,367,069)
		6,851,607	(362)
Non-controlling interests		**(2,982,475)**	–
		3,869,132	(362)
Gain on disposal of subsidiaries	5	**2,561,091**	365
		6,430,223	3
Satisfied by:			
Cash		**432,216**	3
Other financial assets		**5,998,007**	–
		6,430,223	3

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017 RMB'000	2016 RMB'000
Cash consideration	**432,216**	3
Cash and cash equivalents disposed of	**(64,108)**	(151,306)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**368,108**	(151,303)

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities:

	Bank and other loans RMB'000	Payable to non-controlling shareholders and others RMB'000	Amount due to immediate holding company RMB'000
At 1 January 2017	47,924,770	–	–
Changes from financing cash flows	25,177,584	12,591,390	(856,040)
Foreign exchange movement	(1,912,796)	–	–
2016 final dividends	–	–	451,307
Special 2017 interim dividends	–	–	404,733
Increase arising from acquisition of subsidiaries	3,529,923	–	–
Decrease arising from disposal of subsidiaries	(3,388,000)	–	–
At 31 December 2017	71,331,481	12,591,390	–

44. CONTINGENT LIABILITIES

At the end of the reporting period, the Group has provided guarantees amounting to approximately RMB19,203,385,000 (2016: RMB18,978,064,000) in respect of mortgage facilities for certain purchasers of the Group's properties.

45. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	1,064,660	929,328
In the second to fifth years, inclusive	2,138,865	940,708
After five years	420,969	76,098
	3,624,494	1,946,134

45. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **RMB'000**	2016 RMB'000
Within one year	**33,803**	33,598
In the second to fifth years, inclusive	**41,039**	43,432
	74,842	77,030

46. COMMITMENTS

In addition to the operating lease commitments detailed in note 45(b) above, the Group had the following commitments at the end of the reporting period:

	2017 **RMB'000**	2016 RMB'000
Contracted, but not provided for:		
Properties under development	**17,642,236**	11,393,851
Land under development	**1,373,963**	1,321,983
Property, plant and equipment	**5,168**	4,036
Capital contributions to joint ventures	**464,990**	405,250
	19,486,357	13,125,120

47. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2017 RMB'000**	2016 RMB'000
Fellow subsidiaries:			
Rental income*	(i)	**156,744**	171,825
Property management fee income*	(i)	**36,797**	22,792
Interest expense	(ii)	**12,755**	19,937
Interest income	(iii)	**30,378**	8,377
Building decoration service income	(i)	**1,597**	1,067
The immediate holding company:			
Rental expense	(i)	**4,666**	4,605
Interest expense	(ii)	**74,135**	85,255
An intermediate holding company:			
Rental income*	(i)	**90,307**	90,013
Property management fee income*	(i)	**15,745**	13,902
Building decoration service income	(i)	**901**	5,251
The ultimate holding company:			
Rental income*	(i)	**7,910**	7,957
Property management fee income*	(i)	**121**	393
Joint ventures:			
Interest income	(iv)	**697,523**	125,145
Consulting fee expense	(i)	**147,432**	89,285
Rental income	(i)	**1,673**	305
Property management fee income	(i)	**27,713**	14,276
Building decoration service income	(i)	**26,542**	16,712
Consulting fee income	(i)	**16,634**	1,699
Associates:			
Interest income	(iv)	**61,643**	129,015
Interest expense	(v)	**17,554**	9,201
Property management fee income	(i)	**15,105**	5,111
Building decoration service income	(i)	**29,245**	28,564
Consulting fee income	(i)	**12,376**	5,181
An associate of the Group's ultimate holding company:			
Rental income	(i)	**58,346**	57,456
Property management fee income	(i)	**2,688**	2,382

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The interest expense was charged at rates ranging from 1.54% to 8.35% (2016: 2.02% to 4.99%) per annum.

(iii) The interest income was determined at rates ranging from 0.35% to 2.18% (2016: 0.35% to 2.18%) per annum.

(iv) The interest income was determined at rates ranging from 2.45% to 12% (2016: 5.23% to 12.00%) per annum.

(v) The interest expense was charged at a rate of 7.00% (2016: 7.00%) per annum.

* These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

47. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group

	2017 RMB'000	2016 RMB'000
Short term employee benefits	**38,737**	33,014
Post-employment benefits	**2,529**	2,285
Equity-settled share option expense	**1,656**	1,480
Total compensation paid to key management personnel	**42,922**	36,779

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

(c) Transactions and balances with other state-owned entities

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ("SOEs")). During the year, the Group had transactions with other SOEs including, but not limited to, borrowings, deposits, the sale of properties developed, the provision of property lease and management services and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs are activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs.

48. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2017			2016			
	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Financial assets							
Trade receivables	919,910	–	919,910	–	6,446,477	–	6,446,477
Financial assets included in prepayments, deposits and other receivables and other long term receivables	12,932,926	–	12,932,926	–	3,115,956	–	3,115,956
Due from related parties	24,087,344	–	24,087,344	–	16,444,036	–	16,444,036
Due from non-controlling shareholders	3,001,473	–	3,001,473	–	309,173	–	309,173
Other financial assets	–	6,227,720	6,227,720	71,430*	–	180,000	251,430
Restricted bank balances	3,235,181	–	3,235,181	–	2,328,374	–	2,328,374
Cash and cash equivalents	19,406,553	–	19,406,553	–	18,045,582	–	18,045,582
	63,583,387	6,227,720	69,811,107	71,430	46,689,598	180,000	46,941,028

* These other financial assets as at 31 December 2016 were designated as financial assets at fair value through profit or loss upon initial recognition.

	2017			2016	
	Financial liabilities at fair value through profit or loss – held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities					
Trade and bills payables	–	9,163,117	9,163,117	10,830,686	10,830,686
Financial liabilities included in other payables and accruals (note 30)	–	18,643,614	18,643,614	4,717,847	4,717,847
Derivative financial instruments	77,440	–	77,440	–	–
Due to related parties	–	7,157,826	7,157,826	9,009,372	9,009,372
Interest-bearing bank and other borrowings	–	71,331,481	71,331,481	47,924,770	47,924,770
	77,440	106,296,038	106,373,478	72,482,675	72,482,675

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Other financial assets	**6,227,720**	–	**6,227,720**	–
Financial liabilities				
Derivative financial instruments	**77,440**	–	**77,440**	–
Interest-bearing bank and other borrowings	**71,331,481**	47,924,770	**71,856,465**	48,676,582

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, financial products included in other financial assets, trade and bills payables, financial liabilities included in other payables and accruals, and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings except for notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of notes is based on quoted market prices. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2017 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group enters into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments are measured using present value calculations or similar calculations. The models incorporate market observable inputs including the foreign exchange spot and forward rates.

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Fair value measurement using significant unobservable inputs (Level 2)

	2017 RMB'000	2016 RMB'000
Other financial assets	6,227,720	–

The Group's assets were neither categorised in Level 1 nor Level 3 as at 31 December 2017 (2016: Nil).

The movements in fair value measurements within Level 3 during the year are as follows:

	2017 RMB'000	2016 RMB'000
Other financial assets:		
At 1 January	–	114,265
Disposals	–	(114,265)
At 31 December	–	–

Liabilities measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	77,440	–	77,440

The Group did not have any financial liabilities measured at fair value as at 31 December 2016.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed:

The Group did not have any financial assets that were not measured at fair value in the statement of financial position but for which the fair value is disclosed as at 31 December 2017 (2016: Nil).

Liabilities for which fair values are disclosed:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**20,618,896**	**51,237,569**	**–**	**71,856,465**

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	17,801,871	30,874,711	–	48,676,582

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and other borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

The Group also enters into derivative financial instruments, including forward currency contracts. The purpose is to manage foreign currency risk arising from the Group's net investment in foreign operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
31 December 2017		
RMB	**25**	**(40,382)**
US$	**25**	**(6,117)**
HK$	**25**	**(4,155)**
RMB	**(25)**	**40,382**
US$	**(25)**	**6,117**
HK$	**(25)**	**4,155**
31 December 2016		
RMB	25	(29,001)
US$	25	(18,952)
HK$	25	(4,850)
RMB	(25)	29,001
US$	(25)	18,952
HK$	(25)	4,850

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and has applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the end of the next reporting period.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

All of the Group's revenue and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currencies out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without the prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, the approval from the appropriate PRC Governmental authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends to the Company, without the prior approval of the State Administration of Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require the approval from the State Administration of Foreign Exchange, this could affect the ability of the Group's subsidiaries to obtain the required foreign currencies through debt or equity financing, including by means of loans or capital contributions.

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain short term deposits and interest-bearing borrowings denominated in United States dollars. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

The Group entered into the derivative financial instruments in respect of the net foreign investment to minimise the foreign currency exposures as detailed in note 31 to the financial statements. It's the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between HK$ and US$ on the Group's profits for the years ended 31 December 2017 and 2016.

	Group	
Increase/(decrease) in US$ rate	**Increase/ (decrease) in profit for the year 2017 RMB'000**	Increase/ (decrease) in profit for the year 2016 RMB'000
+1%	**(171,064)**	(198,515)
-1%	**171,064**	198,515

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between RMB and US$ on the Group's profits for the years ended 31 December 2017 and 2016.

	Group	
Increase/(decrease) in US$ rate	**Increase/ (decrease) in profit for the year 2017 RMB'000**	Increase/ (decrease) in profit for the year 2016 RMB'000
+5%	**94,243**	7,230
-5%	**(94,243)**	(7,230)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk arising from its land development revenue, sale of properties, leasing activities, provision of hotel and property management services and its financing activities, including deposits with banks and financial institutions and derivatives. Credit risk is managed by requiring tenants to pay rentals in advance. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. In the opinion of the directors, most of the borrowings that mature within one year are able to be renewed and the Group is expected to have adequate source of funding to finance and manage its liquidity position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2017				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**30,724,112**	**16,736,510**	**25,292,289**	**6,650,654**	**79,403,565**
Trade and bills payables	**9,163,117**	**–**	**–**	**–**	**9,163,117**
Other payables	**18,643,614**	**–**	**–**	**–**	**18,643,614**
Derivative financial instruments	**77,440**	**–**	**–**	**–**	**77,440**
Due to related parties	**7,157,826**	**–**	**–**	**–**	**7,157,826**
	65,766,109	**16,736,510**	**25,292,289**	**6,650,654**	**114,445,562**

	2016				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	15,537,584	12,233,744	19,680,241	8,149,702	55,601,271
Trade and bills payables	10,830,686	–	–	–	10,830,686
Other payables	4,717,847	–	–	–	4,717,847
Due to related parties	9,009,372	–	–	–	9,009,372
	40,095,489	12,233,744	19,680,241	8,149,702	80,159,176

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital on the basis of the net debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the statement of financial position) less cash and cash equivalents, restricted bank balances and certain other financial assets included in current assets. Adjusted capital comprises all components of equity (including non-controlling interests) and amounts due to the immediate holding company. The Group aims to maintain the net debt-to-adjusted-capital ratio at a reasonable level. The net debt-to-adjusted-capital ratios as at the end of the reporting periods were as follows:

	Notes	2017 RMB'000	2016 RMB'000
Interest-bearing bank and other borrowings	32	**71,331,481**	47,924,770
Less: Cash and cash equivalents	27	**(19,406,553)**	(18,045,582)
Restricted bank balances	27	**(3,235,181)**	(2,328,374)
Certain other financial assets included in current assets	26	**(6,000)**	(71,430)
Net debt		**48,683,747**	27,479,384
Total equity		**66,443,712**	55,744,080
Add: Amounts due to the immediate holding company	25	**3,945,715**	4,425,765
Adjusted capital		**70,389,427**	60,169,845
Net debt-to-adjusted-capital ratio		**69.2%**	45.7%

51. EVENTS AFTER THE REPORTING PERIOD

(a) On 17 January 2018, the Company completed a private placement of an aggregate of 900,124,000 shares to independent third parties, at a price of HK$3.70 per share, which is approximately 7.78% of the issued share capital of the Company as enlarged by the subscription. The net proceeds from the subscription amounted to approximately HK$3,305.5 million.

(b) On 12 January 2018, Changsha Rongmao Enterprise Management Co., Ltd., a wholly-owned subsidiary of the Company, entered into purchase agreements with Shanghai International Port (Group) Co., Ltd., to purchase the 50% equity interest in each of Shanghai Yin Hui and SISSC at a consideration of RMB2,857,681,000 in aggregate. Shanghai Yin Hui and SISSC are non-wholly-owned subsidiary of the Company before the acquisition. Upon completion of the acquisitions, the Group will hold 100% equity interest in each of Shanghai Yin Hui and SISSC.

(c) On 8 March 2018, Franshion Brilliant Limited, a wholly-owned subsidiary of the Company, completed an issue of the guaranteed senior notes in an aggregate principal amount of RMB1,250,000,000. The notes are unsecured, interest-bearing at 5.20% per annum payable semi-annually in arrears and will mature on 8 March 2021. The net proceeds from the issuance of these securities, after deduction of commissions and other estimated expenses, amounted to approximately RMB1,243.6 million.

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**69**	98
Intangible assets	**–**	2,002
Investments in subsidiaries	**21,557,784**	22,438,202
Total non-current assets	**21,557,853**	22,440,302
CURRENT ASSETS		
Due from subsidiaries	**35,172,949**	25,928,725
Prepayments, deposits and other receivables	**8,330**	20,312
Due from related parties	**1,182**	1,236
Cash and cash equivalents	**531,607**	156,030
Total current assets	**35,714,068**	26,106,303
CURRENT LIABILITIES		
Other payables and accruals	**210,511**	30,669
Due to related parties	**3,965,460**	4,425,765
Interest-bearing bank borrowings	**1,698,953**	4,197,636
Total current liabilities	**5,874,924**	8,654,070
NET CURRENT ASSETS	**29,839,144**	17,452,233
TOTAL ASSETS LESS CURRENT LIABILITIES	**51,396,997**	39,892,535
NON-CURRENT LIABILITIES		
Due to subsidiaries	**23,645,457**	19,940,165
Interest-bearing bank borrowings	**8,100,689**	1,594,815
Total non-current liabilities	**31,746,146**	21,534,980
Net assets	**19,650,851**	18,357,555
EQUITY		
Share capital	**17,702,376**	17,691,782
Reserves (note)	**1,948,475**	665,773
Total equity	**19,650,851**	18,357,555

Li Congrui
Director

Jiang Nan
Director

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:
A summary of the Company's reserves is as follows:

	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2016	(1,129,976)	22,403	2,466,711	1,359,138
Final 2015 dividend declared	–	–	(721,841)	(721,841)
Total comprehensive income/(loss) for the year	(1,178,807)	–	1,198,141	19,334
Equity-settled share option arrangements	–	9,142	–	9,142
Transfer of share option reserve upon the forfeiture or expiry of share options	–	(13,348)	13,348	–
At 31 December 2016 and 1 January 2017	(2,308,783)	18,197	2,956,359	665,773
Final 2016 dividend declared	–	–	(836,219)	(836,219)
Special 2017 interim dividend declared exercise of share options	–	–	(749,923)	(749,923)
Total comprehensive income for the year	1,091,825	–	1,755,161	2,846,986
Equity-settled share option arrangements	–	24,690	–	24,690
Exercise of share options	–	(2,832)	–	(2,832)
Transfer of share option reserve upon the forfeiture or expiry of share options	–	(4,735)	4,735	–
At 31 December 2017	(1,216,958)	35,320	3,130,113	1,948,475

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2018.

Five-Year
Financial Information

31 December 2017

I. MAJOR INFORMATION OF STATEMENTS OF PROFIT OR LOSS

	2013 RMB'000 (Restated)	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	2016 RMB'000	**2017 RMB'000**
RESULTS					
Revenue	16,552,619	23,398,918	17,770,703	27,304,073	**31,074,845**
Cost of sales	(9,202,343)	(14,245,624)	(10,899,486)	(17,099,317)	**(21,034,199)**
Gross profit	7,350,276	9,153,294	6,871,217	10,204,756	**10,040,646**
Other income and gains	1,881,673	2,260,868	2,190,084	1,493,026	**3,850,901**
Selling and marketing expenses	(498,329)	(724,289)	(787,335)	(804,573)	**(977,448)**
Administrative expenses	(928,003)	(1,329,382)	(1,235,896)	(1,561,732)	**(2,143,024)**
Other expenses and losses, net	(16,250)	(20,716)	(88,333)	(239,810)	**(316,886)**
Finance costs	(1,058,261)	(967,605)	(456,415)	(728,662)	**(1,692,438)**
Share of profits and losses of:					
Joint ventures	1,832	(1,047)	(12,999)	(43,748)	**31,410**
Associates	–	(24,889)	(72,066)	(28,459)	**31,622**
PROFIT BEFORE TAX	6,732,938	8,346,234	6,408,257	8,290,798	**8,824,783**
Income tax expense	(2,710,922)	(3,075,725)	(2,307,172)	(3,717,116)	**(3,674,581)**
PROFIT FOR THE YEAR	4,022,016	5,270,509	4,101,085	4,573,682	**5,150,202**
Attributable to:					
Owners of the parent	3,377,128	4,193,898	3,045,520	2,535,515	**3,977,712**
Non-controlling interests	644,888	1,076,611	1,055,565	2,038,167	**1,172,490**
	4,022,016	5,270,509	4,101,085	4,573,682	**5,150,202**

II. MAJOR INFORMATION OF FINANCIAL POSITION

	2013 RMB'000 (Restated)	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	2016 RMB'000	**2017 RMB'000**
Total non-current assets	58,277,259	64,979,036	71,328,044	80,621,263	**104,766,510**
Total current assets	36,732,786	43,908,442	61,798,355	86,282,853	**117,277,869**
Total assets	95,010,045	108,887,478	133,126,399	166,904,116	**222,044,379**
Total current liabilities	31,137,602	26,746,641	45,413,601	71,382,264	**107,074,051**
Total non-current liabilities	26,747,311	37,700,500	38,364,088	39,777,772	**48,526,616**
Total liabilities	57,884,913	64,447,141	83,777,689	111,160,036	**155,600,667**
Equity attributable to:					
Owners of the parent	26,387,203	29,702,128	33,547,922	31,626,291	**32,852,097**
Non-controlling interests	10,737,929	14,738,209	15,800,788	24,117,789	**33,591,615**
Total equity	37,125,132	44,440,337	49,348,710	55,744,080	**66,443,712**

PROTECT ENVIRONMENT, CREATE FUTURE TOGETHER

For the reason of good corporate citizenship, we print our 2017 Annual Report with paper from responsible source to fulfill our corporate responsibility and create a bright future for our next generation.

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