開拓創新 砥礪前行

推進新型城鎮化建設

2017
ANNUAL REPORT

NEW TOWN

China New Town Development Company Limited
中國新城鎮發展有限公司

Stock Code: 1278

Corporate Profile

OVERVIEW

China New Town Development Company Limited (stock code: 1278) (the "Company" or "CNTD") has been listed by introduction on the main board of The Stock Exchange of Hong Kong Limited since 22 October 2010.

In March 2014, China Development Bank International Holdings Limited ("CDBIH"), a wholly-owned subsidiary of China Development Bank Capital Corporation Limited ("CDBC" or "CDB Capital") completed its subscription for CNTD's 5,347,921,071 issued shares, and became CNTD's controlling shareholder. CDB Capital is a wholly-owned subsidiary of China Development Bank Corporation ("CDB"). CDB is one of the largest financial institutions focusing on development in China, and has been continuously supporting the urbanization construction in China since its establishment. Based on CDB's resources and brand advantage, CDB Capital has a national network layout in the business segment of new town development. Till then, the Company has officially become the sole listed platform of CDB and CDB Capital in the business segment of new urbanization. In the future, we shall leverage the advantage of the controlling shareholder's resources and experience, and integrate the opportunities arising from the new urbanization policy actively promoted in China, to build a national leading brand as a comprehensive new-town-developing operator.

We are a pioneer in China's new-type of urbanization. We have established industry leadership through over ten years of solid track record since 2002, and are among the very first players to engage in primary land development. With the trend of new urbanization in China and the Company's advantage in resources, we are gradually reforming, exploring and planning the blueprint of urbanization, while shaping development concepts and specifying business strategies. Going on with the basis to follow the guidelines of national policy and with the demand of regional economic development and city life, we shall focus on creating new-type cities and towns featuring "city- industry integration", improve the quality and experience of people lives. With the business strategy of "urbanization investment+ downstream operation", on top of fixed income investment in urbanization projects, we introduce excellent brand of urbanization to the region at the same time, such as education, tourism, healthcare and etc. We aim to focus on the downstream development and operation, to build long-term industry competence and value, and to build a sustainable level of profitability over the long run.

Currently, in the urbanization development and investment business segment, our projects locate in areas with good economic development, including Nanjing, Yangzhou, Nanchang, Qinhuangdao and Jining and can provide stable revenue and cash flow for the Company. In the urbanization development and operation segment, the Company participates in developing such projects as Shanghai Luodian Project, Shenyang Lixiang Project, Beijing Junzhuang Project in Mentougou District, Nanjing Yuhua Two Bridge Shanty-town Renovation Project and property development project for Nanjing Tiexin Bridge in Yuhuatai District. Among them, Shanghai Luodian and Shenyang Lixiang are existing primary land development projects before the acquisition. For projects involved development and operation after the acquisition, we usually develop such projects with our industry partners. We develop the project in Junzhuang with Vanke BJ to construct a comprehensive tourist, leisure and resort project in the surrounding Beijing. For the property development project for Nanjing Tiexin Bridge, we cooperate with Mingfa Group to develop and construct a complex comprising high-end office building, comprehensive commercial building and boutique apartment.

Under the background of the national policy which supports new urbanization, we have confidence to realize the steady upgrade of the Company's scale of assets and operating results by fully integrating the resource advantages of controlling shareholder and the rich experience of project teams.

GOAL

Our Goal is to become the leading new town developer in China achieving long-term sustainable growth whilst we continue to strive for short to medium term profitability in order to deliver the greatest value to our shareholders.

MISSION

Our Mission is to provide urbanization products which are consistent with the demand of regional economic development and city life, to enhance the region's urbanization level and citizens' living quality.

Contents

Our Business

OUR BUSINESS

Introduction

We started to enter the new town development industry in 2002, so far have accumulated more than 15 years of experiences in the development and operation. In the previous project development, we accumulated a complete operational experience in the industry chain of new town development, including preliminary planning, land consolidation and construction of supporting infrastructure facilities, resources introduction to the region, which has improved the region's urbanization level.

Upon becoming a subsidiary of China Development Bank Capital Corporation Limited ("CDBC" or " CDB Capital"), we have made good use of these operating experience, together with the national resources advantage of the CDB system, to actively make an optimization of project operation mode. We have established the business mode of "urbanization investment + downstream operation", rapidly expanded the business scale, and achieved a good scale effect and financial basis and brand advantages. Based on urbanization investment, we actively focus on the value-added service processes, such as design of regional planning, resource introduction, city operation and management, and etc., in the new urbanization business chain, taking the lead to engage in the investment of quality land resources with a model featuring steady and measurable fixed income return. Leveraging the opportunities for intensive cooperation with local governments as well as the strong background and networks of controlling shareholder, we further explore the development and operation of urbanization projects such as education, tourism, healthcare and industrial park. At the same time, in accordance with the Company's development plans, we will optimize the investment and financing structure to cope with the various business development funding needs with the hope of bringing lucrative return to shareholders.

In the sector of urbanization investment, our business model is mainly fixed income investment. The Company has participated in various kinds of urbanization projects through equity or fund investment, such as the shanty-town renovation and improvement, PPP projects. In these investments, the Company shall receive a fixed investment gain based on the amount we have invested, according to the agreement. The investment gain shall be usually included into the governments' annual fiscal budget as a credit enhancement, so that the return on our investment is with high safety and predictability.

After CDB Capital's acquisition, leveraging its nationwide network and resources, the Company has rapidly expanded such fixed income portfolio with a pattern of "low-risk and stable-return". As of the end of 2017, the Company has a portfolio of approximately RMB2.1 billion in such investment, which has contributed steady revenue and cash flow for the Company.

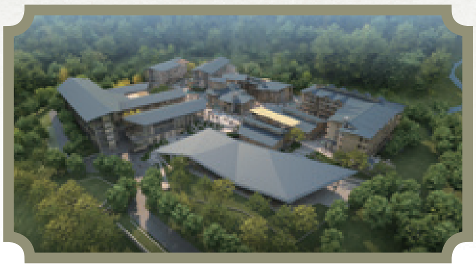
In the sector of downstream development and operation, we have chosen education, tourism, healthcare and industrial park as main downstream strategy, and fully leveraged the advantage of resources of controlling shareholder to make positive progress. In May, 2015, the Company has entered into strategic cooperation agreement with Hua Xin Investment Management Co, which is the sole General Partner of Integrated Circuit (the "IC") Fund. This is beneficial for the Company to expend the resources in industrial park. In October, 2016, the Company announced that it would cooperate with Beijing Vanke to develop the projects in Junzhuang, which is in Mentougou District in Beijing. By combining the worldwide partnership resources in the fields of healthcare, integrated tourism and education established through the CDB Urbanization Strategic Alliance and the top-notch development and operation capability of Vanke in China, the Project is positioned to be developed into Beijing's integrated tourism and leisure showcase project. In August 2017, the Company signed a memorandum of understanding with MGM Resorts International (the "MGM") and intended to establish a fund that focuses on non-gaming tourism, leisure and culture. In November 2017, we signed a cooperation agreement with Mingfa Group Nanjing Real Estate Development Company Limited* (明發集團南京房地產開發有限公司, the "Mingfa Group") to establish a joint venture for the development and of property assets comprising boutique apartment, office building and commercial building in Yuhuatai district, Nanjing.

Fully supported by the resource advantages of CDB and CDB capital, and on the basis of the steady and good return from the fix income investment, we shall intensively explore urban development investment opportunities along the downstream industry chain, combining with low-cost financing channels, integrate a wide range of resources and optimize investments and structures to promote sustained growth in the Company's assets and results.

* *For identification purpose only*

Shanghai Luodian Project (72.63% equity interests)

- Total site area of 6.80 sq. km.
- Located at Baoshan District, connected to downtown Shanghai by metroline #7 (with two stops at Luodian), around 30 minutes ride to downtown Shanghai
- Selected as permanent site to co-host the National Urbanization Forum with the National Development and Reform Commission of the PRC



Beijing Junzhuang Project in Mentougou District (50%)

- The Mentougou District is located in the western part of Beijing and is 98.5% covered by mountains. The mountains in the district are connected to Xiangshan (香山), a renowned national tourism destination, comprising an integral part of the Western Beijing ecological conservation area. Located in the eastern part of the Mentougou District and approximately 30 km. from Beijing city centre, Junzhuang Town has a total site area of 34 sq. km. and is a strategically important part of the Mentougou District's industrial layout.
- In accordance with different long-term development positioning, the Project is divided into two zones, namely, the Eastern Zone and the Western Zone. The site area currently under planning is approximately 414 hectares (4.14 million sqm.), among which the site area of the Eastern Zone is approximately 270 hectares (approximately 2.7 million sqm.), and is envisaged to develop into an integrated eco-tourism zone featuring a wide mix of elements such as leisure and resort, eco-conservancy and healthcare, parent-child experience and education, as well as industrial park for the creative industry; the Western Zone has site area of approximately 144 hectares (approximately 1.44 million sqm.) and is planned for shanty town reformation, primary land and subsequent developments.
- The Group and Beijing Vanke Enterprises Co. Ltd. has jointly established a project company (we are entitled to 50% equity share), which shall be granted exclusive right to develop and operate the Eastern Zone of the Project. The project company shall succeed contracting the agricultural land (農用地) from the relevant village community economic cooperatives. In addition, using a model known as the "Village-Corporate Collaboration" with the co-ops, the project company shall also develop and operate the construction land collectively owned (集體建設用地) by the relevant village community economic cooperatives.

Our Major Projects

Nanjing Yuhua Two Bridge Shanty-town Renovation Project

- Total site area of 21.4 sq. km.
- Two Bridge Area (from Tiexin Bridge to Xishan Bridge) is located in the center of Yuhuatai District, which will become the center of the district in the future. And the Software Valley undertakes an important responsibility for connecting the integrated development in the southern part of Nanjing
- Innovative business mode employed in the project: fixed investment return in primary development plus a linkage of primary development and secondary development, which embodies the resources advantages of, and the great support from, CDB Capital
- Yangtze River Delta region is one of the regions in China which has the greatest potential and vitality in the economic development, also is one of the target areas into which the Group will expand its business, and full of construction opportunities in urbanization projects, which provides an opportunity for the Group to diversify its investment.

Property Development Project in Tiexin Bridge of Yuhuatai District, Nanjing

- Total site area of 23,475.91 square meters
- It is located in the Yuhuatai District of Nanjing, adjacent to the Software Valley. Software Valley is China's largest communication software industry R&D base and the first 100 billion level software industry base.
- This project is intended to build a complex of high-end office buildings, integrated commercial and boutique apartments, with a total planned area of 120,000 square meters. There will be at least 20,000 square meters of office buildings and 35,000 square meters for commercial purposes in the project for long-term holding and operation in the future.
- The Company has established a project company with Mingfa Group in which the Company holds an equity interest of 49%. It is the first large property project to be invested and developed in the region after the Two Bridge project in Yuhuatai District, Nanjing. Upon completion of the project, the Company will receive property sales and rental income, as well as commercial and office buildings as long-term investment in property assets.

Shenyang Lixiang Project (100% equity interests)

- Site area of 20.55 sq. km.
- Located at Dongling District, close proximity to Shenyang city centre and adjacent to Shenyang Taoxian International Airport
- In the Dahunnan area where is planned to be transformed into "New Centre, New Landmark, New Hub and New Energy" under the Government's strategic plan; host of the 2013 National Games

Our Strengths & Strategies

STRATEGIC POSITIONING

- CDB and CDB Capital's sole listed and operation platform in new urbanization.
- Integrate the network and resources of CDB Capital in the segment of new urbanization, and build a leading national and comprehensive urban development group covering financing, investment, development and operation.

BUSINESS STRATEGY

- Leverage the close relationship between CDB and CDB Capital and government and their huge customer resources, choose high-quality project across the country, improve the quality of the Company's assets and improve profitability.
- Maintain a steady growth in the portfolio of fixed return investment, and to achieve stable revenue and cash flow on top of good control of investment risk.
- On top of urbanization investment, select region and partners nationwide with caution, and develop and operate downstream projects. Provide high-quality township facilities to people in the region and enhance the region's business value.
- Achieve decent portfolio of "urbanization investment" and "downstream operation."

FINANCING STRATEGY

- Fully leverage the advantage of CDB and CDB Capital in the field of credit background, and build the Company's cross-market financing channel.
- Further improve the Group's financial strength by various innovative financing methods on projects.
- Benefiting from various operations of the listed platform in capital market, increase the Company's leverage, which will enhance return on equity.

CORE COMPETITIVENESS

- Continuously supplement and improve the Group's organization structure with CDBC's management expertise.
- Rapidly accumulate external resources such as new town development alliance and completion of joint projects.
- Standardize and systematically enhance project flows, accumulate relevant knowledge and experience.

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Heqiang *(Chief Executive Officer)*
Ms. Yang Meiyu
Mr. Ren Xiaowei
Mr. Shi Janson Bing

Non-executive Directors
Mr. Wei Wei *(Chairman)*
Mr. Zuo Kun *(Vice Chairman)*
Mr. Li Yao Min *(Vice Chairman)*
Mr. Xie Zhen

Independent Non-executive Directors
Mr. Henry Tan Song Kok
(Lead Independent Non-executive Director)
Mr. Kong Siu Chee
Mr. Zhang Hao
Mr. E Hock Yap

AUDIT COMMITTEE

Mr. Henry Tan Song Kok *(Chairman)*
Mr. Zhang Hao
Mr. E Hock Yap

NOMINATION COMMITTEE

Mr. E Hock Yap *(Chairman)*
Mr. Henry Tan Song Kok
Mr. Kong Siu Chee

REMUNERATION COMMITTEE

Mr. Kong Siu Chee *(Chairman)*
Mr. Henry Tan Song Kok
Mr. E Hock Yap

COMPANY SECRETARY

Mr. Kwok Siu Man

BUSINESS ADDRESS

8203B–04A
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Telephone: (852) 3643 0200
Facsimile: (852) 3144 9663
Website: www.china-newtown.com

REGISTERED OFFICE

2/F, Palm Grove House
P.O. Box 3340
Road Town, Tortola
British Virgin Islands

BVI PRINCIPAL SHARE REGISTRAR

Tricor Services (BVI) Limited
P.O. Box 3340
Road Town, Tortola
British Virgin Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

LEGAL ADVISORS

Winston & Strawn LLP
King & Wood Mallesons
Zhonglun W&D Law Firm
Global Law Office

INDEPENDENT AUDITOR

Ernst & Young
22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Auditor's Date of Appointment: 20 November 2007
Partner-in-charge: Mr. Kelvin Leung Shing Kit
Partner-in-charge since: 21 September 2016

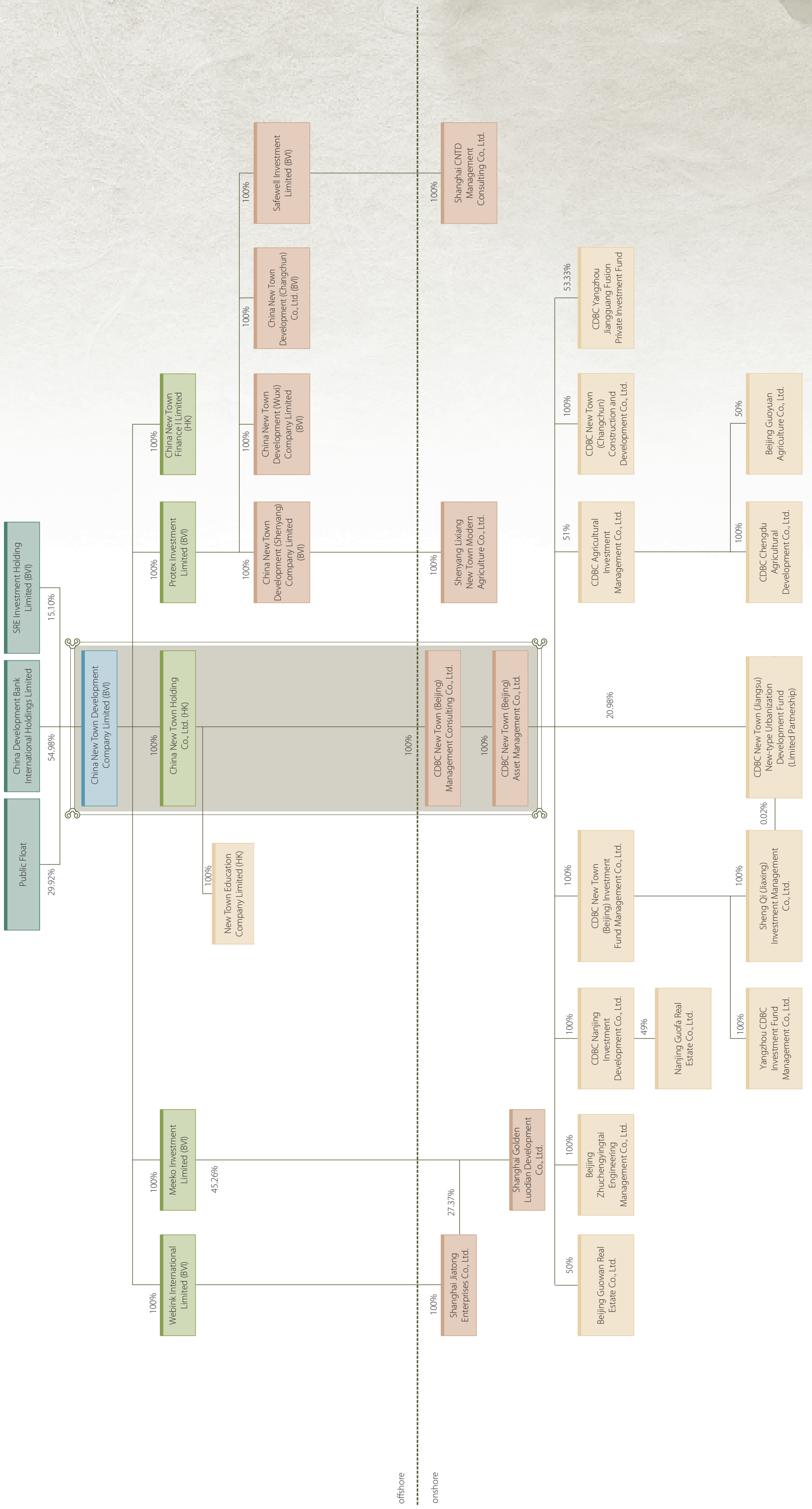
STOCK EXCHANGE LISTED

The Stock Exchange of Hong Kong Limited
Stock Name: ChinaNewTown
Stock Code: 1278
Board Lot: 2,500 shares

PRINCIPAL BANKERS

CITIC Bank International Limited
The Agricultural Bank of China
United Overseas Bank Limited
Shanghai Pudong Development Bank
Bank of Communications Co., Ltd.
China Minsheng Bank
China Construction Bank (Asia) Corporation Limited

Group Structure



Note: CDBC Yangzhou Jiangguang Fusion Private Investment Fund is a contract fund.

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of China New Town Development Company Limited, I present the Chairman Statement of 2017.

In 2017, the robust development trend of the domestic macroeconomy and urbanization related industries selected and explored by the Group has provided good opportunities for the development of related businesses of the Group.

In 2017, the Chinese economy kept healthy growth. The gross domestic product grew by 6.9%, which rose for the first time over the past seven years. The gross domestic product ("GDP") reached RMB82.7 trillion and remains the world's second largest economy. While the total economic growth is growing steadily, the structure of economic development was more balanced. In 2017, the contribution rate of final consumption expenditure, total capital formation and net exports of goods and services to GDP growth were 58.8%, 32.1% and 9.1%, respectively. The contribution of citizens' consumption to the economic growth is more and more important, which has changed the old picture in which economic growth relied on the investment in fixed assets. From the theory of economic development, this will help to create a more steady and long-term economic growth.

Looking at the different sectors in consumption, a steady increase was observed in the consumption of food, clothes and all kinds of essentials while the increase of products related to consumption upgrade kept a two-digit rate of growth. Consumption upgrade of various kinds further improves the production and investment of related fields. For example, in 2017, the investment in culture, sports and entertainment increased by 12.9% while the investment in education grew by 20.2%, significantly higher than the average national growth rate.

In 2017, urbanization still accelerates in the country. The urbanization rate of permanent residents was 58.52%, 1.17 percentage points higher than that by the end of 2016. The urbanization rate of household registration population was 42.35%, 1.15 percentage points higher than that by the end of 2016. The national migrant population was 244 million. The market was still great for all kinds of products and related services required during the process of urbanization.

In the face of the new situation of economic development, as a listing and operation platform of CDB and CDBC in urbanization, China New Town Development Company Limited (the "Company", together with its subsidiaries, the "Group") leverages on industry experience and resource strengths of our controlling shareholders and adheres to the business strategy of "urbanization investment + downstream operation" for a business restructuring to actively transform, deploy all business segments in advance and make good progress, thereby initially forming the layout of the business segments for urbanization and continuously improving the operating results.

FOLLOW THE NATIONAL INDUSTRY POLICY OF URBANIZATION

Persisting in implementing regional coordinated development and new urbanization strategy is the drive for national sustainable development. In July 2017, the National New Urbanization Report 2016 was officially published. The key to the development of new urbanization is to promote the citizenization of agricultural transfer population, to focus on the development of urban cluster and new small and medium-sized cities, to promote urban function and livability, to accelerate the integration of urban and rural development, and to deepen the reform of key areas. Later on, at the first meeting of the 13th National People's Congress, Premier Li Keqiang mentioned that we should prepare and implement relevant plans and build key projects. Meanwhile, we should carry out the planning of key urban cluster to promote the coordinated development of large and medium-sized cities and small towns. Restrictions on settlement for most cities are loosened, the residence permit system is fully implemented and the basic public services in cities and towns are extended to permanent residents.

These favorable urbanization policies will create a huge residents' demand for education, tourism, healthcare and other urbanization products, so as to provide a favorable policy and market environment for the key urbanization business segments explored by the Group.

THE LAYOUT OF THE URBANIZATION BUSINESS BEGINS TO FORM

In 2017, while maintaining stable investments in the development of urbanization, the Group has achieved phased progress in downstream sectors such as education, tourism and industry parks. The layout of the business segment of urbanization has been preliminarily shown.

In the domestic financial environment of deleveraging, the Group took full advantage of the CDB system's national network as well as our own experience in urbanization investment, prudently chose high-quality urbanization projects to invest in and managed the risks of our investment well while ensuring the investment return. As of the end of 2017, the balance of the Group's fixed income investments in urbanization is approximately RMB2.1 billion, with a pre-tax average annualized rate of return of 11.9%.

In the tourism sector, the Company will establish a fund that focuses on non-gaming tourism, leisure and culture with MGM. The fund will mainly invest in non-gaming tourism projects in China. The cooperation will provide new partners and project pipelines to facilitate the Group's investment and operation in tourism sector.

For the investment and operation of the industry property, combined with the strategic cooperation agreement signed with the GP of National Integrated Circuit Industry Investment Fund in the earlier period, the Group has been studying broadly potential projects throughout the country. In 2017, the Group has reached consensus with Lenovo Group Limited to acquire a property project held by a wholly-owned subsidiary of Lenovo Group Limited at the High-Tech Development Zone in Donghu District, Wuhan. Upon completion of the construction, the Group intends to introduce relevant quality enterprises primarily from integrated circuit industry to achieve good project operation quality and profitability.

In the education segment, the Group has preliminarily formed the layout of the "industry fund investment + construction and operation of schools" in the integrated K12 education segment. New Town Education Company Limited ("New Town Education") (a wholly-owned subsidiary of the Company) has participated in the establishment of an education investment fund. Apart from undertaking to invest no more than US$50 million as a limited partner, it also holds 40% equity interest in the general partner as a main strategic shareholder. In the meantime, the Group will also construct an international school in Jiangning District of Nanjing with partners. The school will be a private "all-through" school covering pre-primary education to secondary education, providing bilingual international curriculum (K12 bilingual curriculum). It will seek to earn revenue in the long run by renting school facilities to the operating party of the school. By investing in and acquiring education brands through the fund, combining the school houses and facilities the Group owns, and cooperating with the partners in the industry, we can promote the Group's projects nationwide and realize sustainable revenue and profit in education sector.

CONTINUOUS IMPROVEMENT IN OPERATING RESULTS

With the continuous growth of business, the Company's operating results are also improving. The operating income for 2017 was RMB1.23 billion, and profit attributable to the equity holders of the parent was RMB336 million, both of which saw a significant growth as compared with those of 2016. Income from the principal business reached a steady stage. Income from urbanization development and land development for 2017 were approximately RMB268 million and approximately RMB881 million, respectively, indicating that good economic benefits has been achieved for the asset growth of various business segments..

On top of the favorable result, the board of directors of the Company (the "Board") recommended a final dividend for 2017 of HK$0.0116 per share in return of the long-term support of its shareholders.

Looking ahead, the economic development in 2018 remains full of opportunities and challenges, and the Company will continue to promote business transformation and layout. The Company will continue to adhere to the development strategy of "investment + operation", closely follow the policy of the country's support to the related industries of urbanization, and cooperate with CDB and CDB Capital in project resources and network resources, in order to capitalize the business synergy and seek the business opportunities and resources of the downstream sectors including education, tourism, healthcare and industrial park. The Company will continue to try and break through in different business segments, develop and operate in depth the potential business in the industrial chain. At the same time, the Company will continue to accumulate extensive experience, build quality benchmarking products, enhance the core competitiveness and influence of the Company's brand, so as to continue to create the core value for shareholders in the long run.

Finally, on behalf of the Board, I would like to thank our shareholders, investors, financial institutions and business partners for their continuing support to the Company in the past year, and to extend my sincere gratitude for the hard work of all directors, management and employees. We will, as always, continue to strive to create long-term benefits and value for our respected shareholders.

CEO Statement

Dear Shareholders,

Looking back to 2017, China New Town Development Company Limited (the "Company", together with its subsidiaries, the "Group") proactively promoted its business transformation in accordance with established business development strategies. Amidst the new era of macro-economic growth and industry's development in China, the Company took the initiatives on deployment and achieved significant progress.

Following the business strategy of "urbanization investment + downstream operation", the Company has proactively undergone business transformation from primary land development into the development and operation of urbanization products in 2017. Through its primary land development business, the Company has gained a more thorough understanding on regional economic development and demand, while built up excellent government relationship and land resources, which are beneficial to tapping into the development and operation of diversified downstream urbanization products. Meanwhile, with the long-term and sustainable income and cash flow brought by downstream business operation, the Company can manage to achieve better investment returns.

As stated in the outlook of the CEO Statement last year, leveraging on the resources and network advantages of the controlling shareholder as well as the dedication and efforts of our management team, the Group has formulated partnership with various quality domestic and foreign business partners in 2017. Various kinds of project investment in downstream education, tourism and industry property segments have been completed, including the establishment of education and tourism industry investment funds, the development and construction of K12 bilingual school and the acquisition and construction of commercial office properties in core industry parks in prime cities nationwide. Such approaches have enabled the Group to complete the initial deployment of its urbanization downstream business segment and laid a solid foundation for enjoying long-term assets appreciation and stable income.

While formulating its initial new business deployment, the Group has also made significant progress in its remaining asset projects. H-02 land parcel of Luodian Project in Baoshan District, Shanghai was included in the land reservation scheme in June 2017, and completed listing-for-sale in November, marking a new stage of land development for Shanghai Luodian Project.

With the support of the business development, the Group continued to record a significant improvement in operating results in 2017 as compared with 2016, realizing growth in three consecutive years since acquisition. The operating income of the Group for the year was RMB1.23 billion, and total profit attributable to the equity holders of the parent was RMB336 million. Income and profit structures have become more optimal, among which, the income from urbanization development and land development was approximately RMB268 million and approximately RMB881 million, respectively, representing a leap forward from 2016 and stable development of income from major business.

On the basis of improved business and results, the Board recommended the payment of a final dividend for 2017 of HK$0.0116 per share in return of the long-term support of its shareholders. The final dividend will be paid subject to the approval at the annual general meeting of the Company.

URBANIZATION PORTFOLIO MAINTAINED STABLE PERFORMANCE

Given urbanization investment business offers stable cash flow and income to cover the incubation period of income realization for operating business amid transformation, the segment represents an integral component of the Group's business. In 2017, the investment portfolio maintained a steady trend in terms of investment amount and yield.

Domestic financial environment witnessed a relatively material adjustment in 2017 with focus placed on deleveraging and strengthened regulation on banks' off-balance sheet assets and the shadow banking system. Under such backdrop, the investment and financing of urbanization business have encountered changes in a considerable extent. In face of the new industry and market development, the Group fully leveraged on the network and resources advantages of its controlling shareholder while integrated its precise interpretation of national policies in a bid to effectively balance the stabilization of investment yield and stringent control on investment risks. The Group has paid attention to every step of urbanization investment to maintain the stability of its investment portfolio.

By the end of 2017, the balance of urbanization projects under the Group's fixed income investment portfolio amounted to approximately RMB2.1 billion. The average annualized investment return rate before tax was 11.9%, still maintaining a relatively promising investment return.

EDUCATION INDUSTRY HAS FORMULATED INITIAL DEPLOYMENT AND INTRODUCED PREMIUM PARTNERS

In the annual report last year, the management regarded private education as one of the important urbanization products, and intended to undergo thorough expansion in 2017. Upon exploration and efforts made for over a year, the Group has formulated its initial deployment in the education industry segment.

"Forge an Education Industry Platform under CDB Brand" is the original intention and goal of the Group's engagement in private education industry. Instead of a simple financial investment, we treat education industry as an integral part of "people-oriented" urbanization process. Based on social and regional development, the Group will provide diversified education products and services which perfectly integrate with the major urbanization business to forge a renowned education brand in the industry.

In pursuit of such goal, the Group established New Town Education, its wholly-owned education investment platform, in Hong Kong in 2017 for the investment and operation of its education projects. Subsequently, it is intended to rename the company as China Development Bank Education Company Limited to fully reflect the education brand advantage of CDB system.

Upon the establishment of New Town Education, the Group proactively liaised with domestic and foreign partners, including famous overseas K-12 school, outstanding domestic and foreign pre-school education brands as well as regional governments and developers with keen demand on education products, thereby accumulating rich industry knowledge, experience, brands and project reserves.

At the beginning of 2018, the Group has achieved phrasal progress in its education business segment. New Town Education participated in the establishment of Kaiyuan Education Fund LP (開元教育基金LP) ("Kaiyuan Fund"), an education industry fund, as a limited partner with capital contribution of not more than US$50 million, and also held 40% of equity interest in a general partner to whom the Group acts as the major strategic partner of the general partner of the investment fund. Subsequently, the fund will mainly invest in companies and projects within the education industry in the Greater China Region and other prime regions worldwide. The first instalment of the fund has been successfully closed up with intended committed amount of approximately US$65 million contributed by investors (including committed investment of US$40 million by New Town Education). As the first industry investment fund under China Development Bank Education brand raising fund overseas, it has attracted numerous investors with interest in the industry. Upon establishment, the fund will proactively explore and select project pipelines. Kaiyuan Fund has entered into intentional Strategic Co-operation Framework Agreement with Reigate Grammar School, a renowned century-old British school, and acquired the exclusive rights of school operation in the Greater China Region in long run and will select sites nationwide to operate various K12 schools and kindergartens. Formal co-operation agreement will be signed upon negotiation and agreement on terms.

Apart from industry investment funds, partners, projects and brand, the Group put the network advantage formulated nationwide via urbanization investment into full play, and proactively identified regions suitable for school operation. At the beginning of 2018, the Group jointly established a joint venture with its partners in Nanjing region, where the Group focuses its investment on, with the intention to develop and establish an international school in Jiangning District mainly with bilingual courses and coverage ranging from pre-school education to high school. After construction of the school, the Group will gain long-term rental income via holding school building assets while enjoy the appreciation potential of education assets. The school intends to introduce Reigate Grammar School as the operation brand, and establishes a professional education operating entity with the Group's participation and management for admission and operation. As such, the Group will also gain operating income and return from school operation. Through such "construction, holding school buildings and school operation" model, the Group can formulate a complete industry chain for K12 school sector and cultivates a virtuous cycle of revenue system with growth and stable cash flow.

With efforts made over a year, the Group has accumulated considerable industry knowledge, experience and partnership resources in the education segment, which are beneficial to further development of subsequent business.

DEPLOYMENT ON QUALITY INDUSTRY PROPERTY ASSETS TO ENJOY LONG-TERM GAINS

With investment and allocation of a certain amount of commercial property assets in favorable industry sector in prime economically developed cities, long-term and stable rental income as well as long-term assets gains could be secured. The Group is, among others, in pursuit of such strategic approach, and is continuously investigating and selecting projects. In 2017, upon preliminary investigations and business negotiations, the Group has successively invested in commercial office properties in the respective industry parks in Nanjing, Jiangsu Province and Wuhan, Hubei Province.

Nanjing has always been the Group's key project region with sound economic development level. As the property market witnesses booming and healthy development in recent years, the development and holding of premium properties represent a promising investment value and appreciation potential. The Group intends to jointly develop a project located in the core area of "China (Nanjing) Software Valley", the most important industry base in Nanjing close to Nanjing CBD Hexi New Town and Nanjing Station of High-Speed Rail, with its partners. With superior geographical location, solid industry foundation and established business atmosphere. The project is intended to be established as a regional complex integrating high-end office, comprehensive commercial and boutique apartments. The properties will be for sale and held for leasing upon completion. As the first property project invested and developed by the Group in the Two Bridge Area after its investment in the Two Bridge Shanty-town Project in Yuhuatai District in 2014, it has effectively exemplified the development strategy of the expansion from primary development and investment into downstream property development and operation.

In November 2017, the Company announced its intended acquisition of the office and commercial property project located at the Donghu Optical Valley High-tech Development Zone of Wuhan (武漢市東湖光谷高新科技開發區) from Motorola (Beijing) Mobility Technologies Company Limited ("Motorola Beijing") (摩托羅拉(北京)移動技術有限公司). Optical Valley Development Zone is a national-tier high-tech industry park and renowned domestic optoelectronic and semi-conductor industry base, which is highly co-related with the direction of the Group's intended expansion into IC industry park. Upon the construction of the project, top-notch enterprises mainly from the IC industry would be introduced to secure the operation quality and profitability of the targeted project. At the same time, the Group will also fully leverage on the investment capabilities of various business segments within the China Development Bank Corporation and attract local enterprises with expansionary and upgrade needs to move into the target project, to further enhance its operating efficiency and return on investment for the target project.

FORGE MODEL VACATION, CONVALESCENCE AND REHABILITATION PROJECT IN RURAL BEIJING

The Group and Vanke jointly develop the Beijing Junzhuang Project in Mentougou District, with the Eastern Zone to be developed into a comprehensive ecological tourism industry park integrating leisure and vacation, ecology, convalescence and rehabilitation, parent-child education and creative industries. In 2017, the Group stepped forward to the overall planning, design and approval of the project, and has signed the Co-operation Agreement on Investment and Development with the remaining village community cooperatives (集體合作社) in the Eastern Zone for the joint development of the collectively-owned construction land (集體建設用地). In the next stage, the Group will, based on the overall approved planning, foster the development, construction and operation in an orderly manner.

CO-OPERATE WITH MGM TO PROMOTE THE INVESTMENT IN TOURISM SEGMENT

During the expansion process of selected urbanization segment projects, the Group greatly values the co-operation with industry partners and aims to engage in new business segments drawing on their industry background and experience.

In 2017, the Group and MGM intended to co-operate in establishing an industry fund focusing on non-gaming tourism, leisure and cultural development. The fund will invest in the non-gaming tourism projects, mainly within China, while also seeking investment opportunities in strategically core cities along the "One Belt One Road". The Group and MGM intended to subscribe for US$200 million and US$100 million, respectively.

Such co-operation will combine the Group's domestic business networks and project land resources, with MGM's renowned brand, rich industry experience and quality management team to foster the Group's project progression in the tourism business segment.

ACHIEVE BREAKTHROUGHS IN REMAINING PROJECTS

Upon the acquisition of CDB Capital, the Group has been actively taking measures to destock its remaining projects, including exiting from projects with uncertain development prospects, settling disposal assets inconsistent with the Group's principal business direction as well as facilitating the progress of its remaining projects with development potential. After exiting from Wuxi Project in 2014 and Changchun Project in 2016, disposal of Shanghai disposal assets in 2016, the Group has continuously achieved breakthroughs in its remaining projects in 2017.

In June 2017, pursuant to the approval of the Bureau of Land Plan and Administration in Shanghai (上海市規劃和管理局), H-02 land parcel in the eastern area of Luodian New Town Project in Baoshan District, Shanghai has been included in the Land Reservation Scheme and has undergone subsequent listing-for-transfer in accordance with relevant policies and procedures, which was completed on 23 November 2017. The land transfer of the eastern area marks a new phase of land development of Shanghai Luodian Project. As mentioned in the Company's announcement published on 11 March 2018, the Group is currently in the course of discussion with the local government for a supplementary agreement in relation to the project, and further announcement will be made in due course.

2018 BUSINESS OUTLOOK

In 2018, the Group will constantly uphold the business strategy of "urbanization investment + downstream operation". Based on the progress achieved in 2017, the Group will greatly promote the progress of investment in segments such as education, tourism and industry parks while develop landmark projects to further optimize its business and asset deployment.

1. **Step up investment in education segment, optimize asset deployment and accelerate income realization**
   In 2018, the Group will enhance its investment progress in education segment. In order to expand the education segment, further optimize the deployment of asset types and gain income, the Group will aim for organic growth via "investment and construction" as well as implement external expansion strategies of "mergers and acquisitions".

   In terms of product deployment, the Group will continue the construction and investment of K12 school in 2018. The construction of bilingual school in Jiangning District, Nanjing will be carried on in 2018, and the partly admission is planned to commence in 2019.

   Meanwhile, the Group will intensify efforts on the development of pre-school education projects mainly by the way of mergers and acquisitions to realize investment in pre-school education projects. In 2017, through close communication with partners and extensive project investigation, the Group has accumulated better project pipelines in the pre-school education industry, and thus is capable of providing superior channels and resources for its investment projects in 2018.

2. **Facilitate the investment in tourism projects**
   The Group is currently in negotiation with MGM regarding the specific terms on the establishment of tourism fund. The fund is expected to set up in 2018, and the Group intended to commit capital contribution of US$200 million. Upon the establishment of the fund, the parties would acquire land resources with a reasonable cost in prime domestic urban regions, such as Yangtze River Delta and Pearl River Delta area, introduce MGM brands and management and operation team, and build large-scale vacation and tourism projects aligning with domestic consumption trends. The overall construction of the project is expected to cost RMB10 billion.

3. **Expand the scale of quality property assets held**
   Properties in Wuhan Optics Valley Project would be acquired and completed pursuant to the agreement, and would be leased out upon construction and renovation. Integrating the accumulated resource advantages in the IC industry, the Group has secured leases with some enterprises. In 2018, the Group will strive to optimize the occupancy rate to retrieving rental income as soon as possible.

   In the meantime, the Group has initially identified Shanghai as the project region of its first IC industry park after preliminary investigation in various economic regions. Project site selection as well as approval on planning will be fostered while investment and implementation of industry park projects will be accelerated in 2018.

   Moreover, the Group will continue to leverage on the network advantage of its controlling shareholder to explore new quality property project pipeline and promote new project investment.

4. **Maintain investment in fixed return investment portfolio and secure stable cash flow**
   In 2018, with stringent risk management and control, the Group will continue to stabilize the scale and yield of its fixed return investment portfolio, and actively make use of fund leverage mechanism to increase investment return rate. By the end of 2018, the balance of the fixed return investment portfolio is expected to be approximately RMB3 billion, an increase of RMB1 billion as compared to that of 2017, with annualized yield staying at not lower than 10%.

   Based on the positive operating results in 2017, the Group aims to deliver its next triumph and achieve greater breakthroughs in various business segments in 2018. Upon resuming dividend distribution in 2017, the Company intends to maintain a steady dividend policy and distribution frequency, thereby bringing lucrative long-term investment returns to shareholders.

   Looking ahead into 2018, the Group will put the advantage of CDB's systematical network resources and extensive experience in urbanization into full play, while deploying in urbanization downstream business with growth potential and good market prospects. During the lengthy period of business deployment and transformation process, the Group will cover up its income and cash flow with investment in fixed return portfolio. Upon completion of the transformation, the Group will enter the harvest stage for its quality downstream business and bring better returns to its shareholders.

Profiles of Directors and Senior Management

DIRECTORS

Mr. Wei Wei,

aged 59, graduated from Sichuan Architecture Materials Industry College with a bachelor's degree in non-metallic minerals geology and prospecting. Mr. Wei is currently the chairman of the board of directors (the "Board") and a Non-executive Director of the Company. Mr. Wei has an extensive experience in the raw material investment and financial industry. From 2013 to 2016, Mr. Wei has been appointed as director of Large Corporate Client Department in CDB. From 1994 to 2013, Mr. Wei worked at various departments of CDB, being, Business Development Department, Sichuan Province Branch and Loan Management Department. Before joining CDB, Mr. Wei worked at the National Raw Materials Investment Company (國家原材料投資公司).

Mr. Zuo Kun,

aged 43, was appointed as a Non-executive Director and the vice chairman of the Board on 28 March 2014. Mr. Zuo holds a master's degree in politics and economics from Lanzhou University. Mr. Zuo is currently the vice president of CDBC, a controlling shareholder of the Company. He has extensive experience in the investment and financial industry. He joined CDBC in 2009 and has been the vice president of CDBC since March 2011. From 2001 to September 2009, Mr. Zuo had been working at, in a chronological order, the International Finance Bureau, Lanzhou Branch, and executive office of CDB. Mr. Zuo will be responsible for the duties in the absence of the chairman of the Board and the execution of the Group's business strategies and plans.

Mr. Li Yao Min,

aged 67, was appointed to our Board on 11 January 2007 and has been the Executive Vice Chairman of our Company since 1 April 2007. Mr. Li was previously appointed as Co-Vice Chairman on 1 December 2008 and has subsequently been re-designated as Chief Executive Officer and Co-Vice Chairman since 7 January 2010 and as Chief Executive Officer and Co-Chairman on 1 July 2011. Mr. Li was re-designated as a Non-executive Director and the Vice Chairman of the Board on 28 March 2014. From 1992 to 1993, he was attached to Shanghai Golden World Commercial Building Co., Ltd. as a General Manager, responsible for the overall management and development of commercial property. He has over 20 years of experience in business management and the property development industry, including over 12 years' experience in new town development in PRC. Mr. Li is also a founder of SRE Group Limited ("SRE", 1207.hk), and was reappointed as the co-chairman and executive director of SRE on 29 August 2013, and resigned on 5 February 2015.

Mr. Liu Heqiang,

aged 48, was appointed as an Executive Director of the Company and the Chief Executive Officer on 28 March 2014. Mr. Liu graduated from University of Science and Technology Beijing with a master's degree in industrial engineering. Mr. Liu has extensive experience in banking and investment industry. From December 2009 to 1 April 2015, Mr. Liu was the general manager of the direct investment division III of CDBC, a controlling shareholder of the Company, where he was responsible for the investment in urban development related areas. From 1992 to 2009, Mr. Liu had been working at, in a chronological order, in State Raw Materials Investment Corporation (國家原材料投資公司), and Northeast Credit Department (東北信貸局), Tianjian Branch, and the Market and Investment Business Bureau, of CDB. Mr. Liu is the president of the Company and is responsible for the management of the business of the Company and its subsidiaries (the "Group"). Mr Liu is also a director of several subsidiaries of the Company, such as China New Town Holding Company Limited.

Mr. Xie Zhen,
aged 45, was appointed as a Non-executive Director on 5 December 2015. Mr. Xie graduated from Tsinghua University and Chinese Academy of Sciences in thermal engineering. Mr. Xie is currently the general manager of Financial and Legal Affairs Department of CDBC, a controlling shareholder of the Company. He has extensive experience in the banking and investment industry. Mr. Xie was previously the general manager of International Business Department of CDBC, where he was principally responsible for international business and related areas of investment business. From 1998 to 2014, Mr. Xie had been working at, in a chronological order, in PB Electrical and Mechanical Engineering Technology Co., Ltd. (柏誠機電工程技術有限公司), China Development Bank Appraisal Board (國開行評審管理局) and China Development Bank Hong Kong Branch.

Ms. Yang Meiyu,
aged 35, was appointed as an Executive Director on 28 March 2014. Ms. Yang graduated from Peking University with a master's degree in finance. Ms. Yang joined CDBC in December 2009, where she was responsible for urban development related investment and served as the manager, senior manager and assistant to general manager of the Direct Investment Division III of CDBC, a controlling shareholder of the Company, respectively, and the vice general manager of the Management Department of a subsidiary from April 2015 to August 2016. Currently, she also acts as directors and supervisors of various subsidiaries of CDBC. Prior to joining CDBC, Ms. Yang worked as an investment manager at China Reits Investment, where she was involved in various fund raising and land development projects. Ms. Yang is the vice president of the Company and is responsible for corporate financing, operation and investors' relation management. Ms. Yang is also the directors of several subsidiaries of the Company, such as Weblink International Limited, Meek O Investment Limited and Protex Investment Limited.

Mr. Ren Xiaowei,
aged 46, was appointed as an Executive Director on 28 March 2014. Mr. Ren graduated from Beijing Machinery and Industrial College (北京機械工業學院) with a bachelor's degree in engineering. He joined CDBC, a controlling shareholder of the Company, in December 2009. He worked as assistant general manager and chief operating officer of China Development Caofeidian Investment Company Limited (國開曹妃甸投資有限公司), the vice president and chief investment supervisor of China Development Jilin Investment Company Limited. Mr. Ren had been the senior manager of the direct investment division III of CDBC and the vice general manager of the department, respectively, from 2009 to 2014. He has extensive experience in import and export industry. Prior to joining CDBC, Mr. Ren worked as department manager of China National Machinery Import & Export Corporation (中國機械進出口公司) from 1995 to 2003 and as managing director of Bidwiin Tech from 2003 to 2009. Mr. Ren is currently the vice president of the Company and is responsible for the management of urban development projects and construction projects. Mr. Ren is also a legal representative of Shanghai Golden Luodian Development Co., Ltd and a director of several subsidiaries of the Company.

Mr. Shi Janson Bing,
aged 34, graduated from the University of Southern California and obtained a bachelor's degree in accounting in May 2007, joined the Group in December 2007 and was an Executive Director of the Company from 12 December 2007 to 28 March 2014. Mr. Shi was appointed as an Executive Director of the Company on 12 August 2016 and is responsible for strategic cooperation of the Group. He was appointed as a director of SRE Group (Stock Code: 1207) on 17 July 2015.

Profiles of Directors and Senior Management

Mr. Henry Tan Song Kok,
aged 53, was appointed to our Board on 25 September 2007. He is the Lead Independent Non-executive Director and the Chairman of the Audit Committee of the Company and a member of the Nomination and Remuneration Committees of our Company.

He is the Managing Director of Nexia TS Public Accounting Corporation and Nexia TS Pte Ltd. He was the past Asia Pacific Regional Chairman and board member of Nexia International.

He holds directorship for several companies. He is a director of YHI Corporation (S) Pte Ltd, BH Global Corporation Limited and Yinda Infocomm Limited. He is the Chairman of the Nanyang Business School Alumni Advisory Board of NTU. Previously, he was a director of Raffles Education Corporation Limited and Ascendas Fund Management (S) Limited (Manager of Ascendas Real Estate Investment Trust).

Mr. Tan graduated with a First Class Honours Degree in Accountancy from the National University of Singapore. He is a Fellow of the Institute of Singapore Chartered Accountants, Institute of Chartered Accountants of Australia and New Zealand, CPA Australia and Insolvency Practitioners Association of Singapore Ltd and Singapore Institute of Directors and a member of Institute of Internal Auditors, Inc (Singapore Chapter) and Singapore Institute of Accredited Tax Professional Limited.

Mr. Kong Siu Chee,
aged 71, was appointed to our Board on 30 November 2006. He is the Independent Non-Executive Director and also the Chairman of the Remuneration Committee and a member of the Nomination Committee. Mr. Kong obtained a bachelor's degree in arts from the University of Hong Kong in November 1969 and a master degree in business administration from the Chinese University of Hong Kong in December 1980. He is an associate of The Chartered Institute of Bankers in the United Kingdom. Mr. Kong began his career in 1969 with Standard Chartered Bank, where he served in various managerial positions for 24 years. In 1993, he pursued his new business interest in the telecommunications sector and was a director of Champion Technology Holdings Limited from 1993 to 1994 and a director of Kantone U.K. Ltd. from 1994 to 1996. Between 1999 and 2005, he served as a director, Executive Vice President and Alternate Chief Executive Officer of CITIC Ka Wah Bank Limited (renamed as CITIC Bank International Limited in May 2010), and was also a director and the Managing Director of CITIC International Financial Holdings Limited from 2002 to 2005. Mr. Kong has been appointed as an independent non-executive director of Harbin Bank Co., Ltd. (Stock Code: 6138) since October 2013, and an independent non-executive director of Chinney Kin Wing Holdings Limited (Stock Code: 1556) since 20 October 2015.

Mr. Zhang Hao,

aged 58, was appointed to our Board on 13 February 2012 as an Independent Non-executive Director and a member of the Audit Committee. Mr. Zhang is currently the vice director and part-time professor of the Yangtze River Basin Development Institute of the East China Normal University. He graduated from the Department of Economics of the Nanjing University in August 1990 and then obtained a master degree in business administration from the Shanghai Jiao Tong University in March 2005. Mr. Zhang had previously served in various departments of the provincial government of the People's Republic of China for over 29 years. From August 1981 to August 1996, he worked first as the senior staff member in the Planning Commission of Chongming County and then as the superintendent of the Seawall Project Management of Chongming County. From August 1996 to December 2010, Mr. Zhang held various positions including as a senior staff member of the Cooperation Office of the Shanghai Municipal Government and a cadre of the department of district and county economy of the Shanghai Municipal Development Planning Commission.

Mr. E Hock Yap,

aged 62, was appointed to our Board on 29 May 2012. He is the Independent Non-executive Director and also the Chairman of the Nomination Committee and a member of the Audit and Remuneration Committees. He obtained a bachelor's degree in Chemical Engineering from the University of Sheffield, United Kingdom in 1978. He is also a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He started his career with the London office of KPMG as an auditor specializing in insolvency from August 1978 to May 1983. From May 1983 to January 1987, he worked at Chase Manhattan Bank as an investment banker and in various investment banks in the region. He later took up management roles in several financial services companies in the Asia Pacific Region. He served as the Chief Executive Officer and as the Managing Director of Prime Credit Limited during the period from August 1999 to December 2007. Mr. Yap has also been appointed as an executive director of Convoy Global Holdings Limited (Stock Code: 1019) since 9 December 2017.

SENIOR MANAGEMENT

Mr. Mao Yiping,

aged 49, joined SRE in 1993. He subsequently joined our Group in November 2006 and was appointed as an Executive Director on 30 November 2006 and was appointed as Vice President on 22 November 2007. He has been the General Manager for the new town project located in Shenyang Lixiang District ("Shenyang Project") since 1 April 2007 and is responsible for overseeing the development of the Shenyang Project. Mr. Mao obtained a bachelor's degree in mechanical engineering from the Shanghai Jiao Tong University in July 1991 and a master's degree in business administration from the City University of Hong Kong in November 2003. He resigned as an Executive Director on 28 March 2014, and was designated as Vice President of the Company with effect from 28 April 2014.

Mr. Wu Haijun,

aged 45, joined our Company in April 2014 and was appointed as Vice President on 28 April 2014, he was responsible for the management of the Administration Department and the human resources department of the branches of Shenyang, Changchun and Guowan and the Group. From July 2008 to November 2011, he was the General Manager of the Jilin City Construction Holding Group Co., Ltd.; he also served as General Manager of the Jilin Investment Limited of CDB from April 2011 to April 2012. Mr. Wu obtained a master's degree in business administration from the Jilin University in June 2006.

Mr. Wu Jubo,

aged 51, has been appointed as CFO on 11 March 2015. Mr. Wu graduated from the University of Science and Technology Beijing with a bachelor degree of accounting in January 2005. Mr. Wu holds a PRC professional qualification certificate in accounting and has over 31 years of experience in accounting and finance management. Prior to joining the Company, he was the Chief Accountant at Yangzhou subsidiary of CITIC Pacific Special Steel Group from 1 May 2013 to 1 April 2014. He also worked as the director and financial controller at Kazakhstan KMK Oil Joint Stock and the deputy general manager at Wuxi Heng Yuan Investment Company Limited from 1 May 2010 to 1 May 2013. During the period from 4 April 2004 to 1 May 2010, Mr. Wu was the head of the finance department of CITIC Pacific (Hong Kong) Investment Company Limited, Chief Accountant at Xing Cheng Special Steel Co., Ltd., and director and company secretary of Daye Special Steel Co., Ltd. Mr. Wu would be responsible for matters relating to corporate finance, corporate development and assists in strategic planning, as well as other financial management duties.

Five-Year Financial Summary

A summary of the consolidated results and assets and liabilities of the Company and its subsidiaries (the "Group") of the last five financial years, as extracted from the published audited financial statements and reclassifies as appropriate, is set out below.

RMB'000	2017	For the year ended 31 December 2016	2015	2014	2013
Continuing operations					
Operating income	**1,232,296**	303,088	210,837	113,214	641,055
Revenue	**1,151,794**	244,572	163,962	64,583	608,256
Other income	**80,502**	58,516	46,875	48,631	32,799
Operating expenses	**(665,085)**	(334,524)	(182,941)	(829,225)	(629,959)
Cost of sales	**(391,246)**	(46,164)	(12,445)	(651,195)	(353,552)
Selling and administrative expenses	**125,764**	(126,207)	(97,745)	(91,260)	(143,142)
Finance costs	**(99,145)**	(104,595)	(69,230)	(85,923)	(114,730)
Other expenses	**(48,930)**	(57,558)	(3,521)	(847)	(18,535)
Operating profit/(loss)	**567,211**	(31,436)	27,896	(716,011)	11,096
Gain on disposal of subsidiaries and joint ventures	**—**	103,444	60,378	616,091	—
Share of loss of a joint venture	**(4,395)**	(1,204)	(51)	—	—
Profit/(loss) before tax from continuing operations	**562,816**	70,804	88,223	(99,920)	11,096
Income tax	**(143,452)**	(3,651)	5,254	44,941	(33,282)
Profit/(loss) for the year from continuing operations	**419,364**	67,153	93,477	(54,979)	(22,186)
Discontinued operations					
Loss after tax for the year from discontinued operations	**—**	(34,065)	(125,359)	(154,191)	(237,077)
Gain after tax on disposal of assets and liabilities relating to discontinued operations	**—**	301,277	67,683	3,990	—
Profit/(loss) for the year	**419,364**	334,365	35,801	(205,180)	(259,263)
Non-controlling interests	**83,750**	11,711	(29,340)	(143,776)	(46,271)
Profit/(loss) attributable to equity owners of the parent	**335,614**	322,654	65,141	(61,404)	(212,992)
Assets and liabilities					
Total assets	**8,098,824**	8,111,971	10,885,616	9,812,131	11,563,384
Total liabilities	**3,493,610**	3,834,104	7,001,194	5,964,695	8,584,100
Total equity	**4,605,214**	4,277,867	3,884,422	3,847,436	2,979,284
Equity attributable to equity owners of the parent	**4,221,394**	3,913,611	3,590,957	3,525,816	2,457,188
Non-controlling interests	**383,820**	364,256	293,465	321,620	522,096
Total equity	**4,605,214**	4,277,867	3,884,422	3,847,436	2,979,284

Financial Review

OPERATING RESULTS

Revenue

Our results from operation mainly include fixed-income investments in urbanization projects, sharing of land sale proceeds in some projects and downstream operations in urbanization. In 2017, the Group recorded revenue of RMB1.15 billion, increased by 370.9% as compared to that of the year ended 31 December 2016 (the "Year 2016"), primarily because the Group recorded revenue of RMB881 million from land development in 2017, 39.3 times more than that of last year. RMB287 million was derived from the development of land infrastructure and RMB593 million was derived from construction of ancillary public facilities based on the proceeds allocated between the completed land infrastructure and the progress of the completion of the ancillary public facilities for Shanghai Golden Luodian Development Co., Ltd. ("SGLD"). In 2017, we recorded revenue of RMB268 million related to urbanization development, increased by 30.1% compared to that of last year. Revenue of sales of goods from CDBC Modern Agricultural Investment Management (Beijing) Co., Ltd. ("CDBC Beijing Agricultural") and CDBC Chengdu Agricultural Development Co., Ltd. ("CDBC Chengdu Agricultural") decreased 83% compared to that of last year.

Other income

In the year of 2017, other income amounted to RMB80.50 million, an increase of RMB21.99 million as compared to that of Year 2016. It was mainly due to an increase of gain on wealth management products.

Cost of sales

In the year of 2017, cost of sales amounted to RMB391.25 million, 7.5 times more than of Year 2016, mainly because the Group recorded RMB384.46 million cost of land development in the Year 2017 in line with the revenue recognised. This was due to the corresponding cost of land infrastructure and ancillary public facilities based on the progress of completion in SGLD Project.

Other expenses

In 2017, other expenses of RMB48.93 million decreased by RMB8.63 million as compared to that of Year 2016. Such decrease in expenses was mainly due to net loss on disposal of the properties and related prepaid land lease payment of SGLD of RMB38.42 million in the year of 2016, while no net loss on disposal of properties in the year of 2017; other expense due to the writing off of other receivables increased by RMB25.53 million compared to that of Year 2016; foreign exchange loss increased by RMB5.44 million compared to that of Year 2016.

Finance costs

In 2017, the Group recorded net finance costs of RMB99.15 million, which was a decrease of RMB5.45 million as compared to that of Year 2016. Such decrease was mainly due to the decrease of average balance on bank and other borrowings during the year. Interest on bank and other borrowings was RMB17.39 million, which was a decrease of RMB8.75 million compared to that of Year 2016. Besides, with the development of projects, certain borrowing costs capitalised amounting to RMB1.97 million for the year 2017.

Gain on disposal of subsidiaries and a joint venture

In 2017, no joint ventures or subsidiaries of the Group were disposed so no gain or loss on disposals was recognised. In 2016, CDBC New Town (Changchun) Construction and Development Co., Ltd. ("CDBC Changchun"), a wholly-owned subsidiary of the Company, entered into an agreement with Changchun New Town Automobile Industry Construction Co., Ltd. ("CCJV"), and Changchun Kaida Development Co., Ltd. ("Changchun Kaida"), a subsidiary of the Administrative Committee of Changchun Automotive Economic-Technology Development Zone (the "Changchun Committee"), for the sale of the 50% equity interest of CCJV to Changchun Kaida for a total consideration of RMB113,538 thousand, of which RMB110,133 thousand was recognised as a loan and repayable five years later. CDBC Changchun will receive annual interest of 10% pre-tax on its uncollected considerations from Changchun Kaida during the period. As a result, the 50% equity interest in CCJV was derecognised and a loan and receivable of RMB110,133 thousand with annual interest rate of 10% pre-tax was recognised. CCJV is no longer a joint venture thereafter. The equity carrying amount has been written down in previous financial years. Accordingly, it recorded a disposal gain of RMB103,444 thousand in 2016.

Taxation

In the year of 2017, the Group recorded an income tax of RMB143 million, such income tax mainly attributable to: (i) current income tax of RMB159.51 million; (ii) deferred tax asset credit of RMB33.43 million; and (iii) withholding tax of RMB17.38 million.

Financial Position

Investment in joint ventures

The balance as at 31 December 2017 increased by RMB49.93 million as compared with the balance as at the end of 2016, mainly because CDBC Nanjing Investment Development Co., Ltd. ("CDBC Nanjing") and Mingfa Group Nanjing Real Estate Development Co., Ltd. ("Mingfa Group") set up a joint venture Nanjing Guofa Real Estate Co., Ltd. ("Nanjing Guofa") (please refer to the announcement of the Company dated 23 November 2017). The registered capital for Nanjing Guofa was RMB50 million. As at 31 December 2017, Mingfa Group contributed RMB25.5 million, CDBC Nanjing contributed RMB24.5 million. The Group also share the reserve of Nanjing Guofa of RMB24.255 million due to the capital reserve injection from Mingfa Group. Besides, CDBC Beijing Agricultural reached a cooperation agreement with Beijing Ecological Agriculture Co. Ltd., and set up a joint venture Beijing Guoyuan Agriculture Co., Ltd. whereby CDBC Beijing Agricultural held 50% equity interest and contributed RMB5.57 million.

Loans and receivables (non-current assets)

The 2017 year-end balance of loans and receivables (non-current assets) amounted to RMB1,295 million, an increase of RMB228 million as compared with the balance as at the end of 2016. This was due to the new investment in loans and receivables of RMB150 million to Yangzhou River Banks Project, RMB68.15 million to Gaoyou PPP Project, RMB10 million to the tourism project in Changbaishan, Jilin Province.

Financial assets at fair value through profit or loss

The balance as at 31 December 2017 decreased by RMB277 million as compared with the balance as at the end of 2016, mainly due to a decrease of wealth management products of RMB262 million compared to that of 31 December 2016. Besides, CDBC New Town (Beijing) Asset Management Co., Ltd. ("CDBC New Town") contributed capital of RMB10.65 million towards the CDB (Beijing)-BOCOMM New-Type Urbanization Development Fund (the "Urbanization Fund") and withdraw capital of RMB21.75 million, and a fair value loss of RMB3.91 million was recorded during the year of 2017.

Other receivables

The balance as at 31 December 2017 decreased by RMB176 million as compared with the balance as at the end of 2016, mainly because the Group entered into a series of agreements with SREI (the then controlling shareholder of the Company) to settle the outstanding balances regarding the Disposal Assets in 2017. The remaining balance due from SREI is the result of the offset with advances received for the settlement of the Disposal Assets. Besides, the Group provided a shareholder loan of RMB210 million to Nanjing Guofa, and prepaid RMB133.38 million to Chengdu Rural Property Exchange for security deposit of Qionglai Project.

Loans and receivables (current assets)

The 2017 year-end balance of loans and receivables amounted to RMB790 million. This was due to the Group's investment of RMB300 million into Yangzhou Hanjiang District Infrastructure Construction Project, RMB100 million into Jiangsu Suqian Yanghe New District Packaging Industry Park Construction Project, RMB200 million into Yangzhou Xincheng River Hanjiang Branch Region Integrated Renovation Project, and RMB190 million into Yanzhou Industrial Park Project.

Other current assets

The balance as at 31 December 2017 decreased by RMB3.45 million as compared with the balance as at the end of 2016. Such decrease was mainly due to CDBC Chengdu Agricultural sale of agricultural and sideline products.

Senior guaranteed notes

The balance as at 31 December 2017 increased by RMB3.69 million as compared with the balance as at the end of 2016, due to the measurement at amortized cost. The interest expense adjustment on the senior guaranteed notes during the Year was RMB3.69 million. As the maturity date of senior guaranteed notes is 6 May 2018, the balance as at 31 December 2017 categorised as current liabilities was RMB1.297 billion.

Interest-bearing bank and other borrowings

The balance as at 31 December 2017 was decreased by RMB448 million as compared with the balance as at the end of 2016. This was mainly due to repayment of the loan from a related party China Development Bank International Holdings Limited ("CDBIH") of RMB321 million and a borrowing amounting to RMB150 million which was an interest-free loan from Shanghai Luodian Old Town Real Estate Limited. The bank borrowings were mainly denominated in RMB.

Trades payables

The balance as at 31 December 2017 was increased by RMB33.14 million as compared with the balance as at the end of 2016. This increase was mainly attributable to increase of RMB41.65 million of payable for land development.

Other payables and accruals

The balance as at 31 December 2017 was increased by RMB76.77 million as compared with the balance as at the end of 2016. This movement was mainly due to: (i) the decrease of amounts due to related parties of RMB7.69 million and balances due to entities disposed of RMB34.03 million; (ii) a decrease of payable for intermediary and professional service charges of RMB12.45 million; and (iii) payable of RMB42.25 million for Wuxi project and payable for capital withdrawal of RMB74.92 million to the non-controlling shareholder of Shenyang Lixiang due to capital reduction.

Financial liabilities at fair value through profit or loss

The balance as at 31 December 2017 increased by RMB69.72 million as compared with the balance as at the end of 2016, mainly because of the contribution of interest of CDBC Yangzhou Jiangguang Fusion Private Investment Fund (the "Jiangguang Fund") by Zhongmin Company as the senior-tranche limited partner.

Cash and bank balances

Overall, cash and cash equivalents for the year decreased by RMB817 million as compared with the balance as at the end of 2016, with a total balance of RMB1.532 billion as at 31 December 2017, mainly due to net operating cash outflow of RMB622 million, net investing cash inflow of RMB333 million, and net financing cash outflow of RMB516 million during the year. The cash and cash equivalents were mainly denominated in RMB.

Gearing ratio (defined as net debt/the sum of shareholders equity and net debt) as at 31 December 2017 was 2.43%, which decreased dramatically as compared with -6.44% as at 31 December 2016, mainly because cash and cash equivalents decreased largely compared to Year 2016.

Discontinued operations

On 10 October 2013, the Company, CDBIH and SREI entered into Subscription Agreement, pursuant to the terms and conditions of which CDBIH agreed to subscribe for 5,347,921,071 shares of the Company (the "Subscription"). The Subscription had been completed on 28 March 2014 and the relevant shares were issued.

As a schedule of the Subscription Agreement, the Company and SREI entered into the Disposal Master Agreement, pursuant to the terms and conditions of which the Company agreed to dispose the Disposal Assets, and SREI agreed to purchase the Disposal Assets at total consideration of RMB2,069,832,594, the relevant consideration of which shall be paid in several cash instalments ("Assets Disposal").

The Disposal Assets are classified as assets held for sale in the financial statements and deemed discontinued operations of the Group. In the first half of 2016, the Company entered into a formal agreement regarding the disposal of a number of Disposal Assets ("Disposal Agreement") with SRE and SREI, certain Disposal Assets held by SGLD will be disposed to SRE Group, which is consistent with the terms and conditions, and the consideration is RMB1.315 billion. As at 31 December 2016, the Group has received the whole consideration of the Disposal Agreement. As the relevant conditions have been satisfied, the Disposal Assets are derecognized from the balance sheet, and the Group recognized an after-tax gain of RMB301 million in 2016.

Details of important events affecting the Group which have occurred since the end of the Year

In 2017, the Chinese economy kept healthy growth. The gross domestic product grew by 6.9%. The economic growth rate rose the first time over the past seven years. The total economic volume amounted to RMB82.7 trillion and remains the world's second largest economy. The structure of economic development was more balanced. The contributions of the final consumption expenditure, gross fixed capital formation and the net export of goods and services to the economic growth were 58.8%, 32.1% and 9.1%, respectively. The contribution of citizens' consumption to the economic growth is more important, which has changed the old picture in which economic growth relied on the investment in fixed assets. This will help to create a more steady and long-term economic growth. Looking at the different sectors in consumption, a steady increase was observed in the consumption of food, clothes and all kinds of essentials while the increase of products related to consumption upgrade kept a two-digit rate of growth. Consumption upgrade of various kinds also improves the investment in industry and related fields. For example, the investment in culture, sports and entertainment increased by 12.9% while the investment in education grew by 20.2%, significantly higher than the average national growth rate.

Urbanization still accelerates in the country. In 2017, the urbanization rate of permanent residents was 58.52%, 1.17 percentage points higher than that by the end of 2016. The urbanization rate of household registration population was 42.35%, 1.15 percentage points higher than that by the end of 2016. The national migrant population was 244 million. The market was still great for all kinds of products and related services required during the process of urbanization.

Based on the thorough analysis of domestic economy and the development of the industry, in 2017, the Company followed the strategy of "new-type urbanization investment + downstream operation" to promote our business development. In the urbanization investment sector, with the de-leveraging in the domestic financial market, the Group has taken full advantage of the CDB network as well as our own experience in urbanization investment, prudently chose high-quality projects to invest in and manage the risks of our investment well while maintaining the return. By the end of 2017, the Group's fixed income investments in urbanization reached approximately RMB2.1 billion, with a pre-tax annualized rate of return of 11.9%.

In downstream operation in urbanization, the Group continued to work in the industry of tourism, education, and industrial park, and made good progress. In 2017, the Company signed a memorandum of understanding with MGM Resorts International and will establish a fund that focuses on non-gaming tourism, leisure and culture. The fund will invest in non-gaming tourism projects in China and provide new partners and deal sources to facilitate the Group's investment and operation in tourism sector.

As for investment and operation in industrial property, in 2017, the Company has established a joint venture with partners. The joint venture will develop and manage a business and office complex in Tiexin Bridge area in Yuhuatai District in Nanjing. The Company will also acquire the Lenovo (Wuhan) Industrial Base located at the Donghu Optical Valley High-tech Development Zone of Wuhan and earn long-term revenue through leasing after development and construction. For more details, please refer to the announcements dated 23 November 2017 and 28 November 2017.

The Company has also made positive achievements in the education industry. In January 2018, New Town Education (an indirect wholly-owned subsidiary of the Company), has participated in the establishment of an education investment fund. New Town Education commits to invest no more than US$50 million as a limited partner, and holds 40% shares in the general partner of the investment fund (the "General Partner") as a main strategic shareholder. The fund will mainly invest in companies, projects and businesses in the education industry within the Greater China region and such other global regions as identified by the General Partner in its discretion from time to time. Meanwhile, the Group will also construct and build an international school in Jiangning District of Nanjing with partners. The school will be a private "all-through" school covering pre-primary education to secondary education, providing bilingual internationalization curriculum (K12 bilingual curriculum). It will seek to earn revenue in the long run by renting school houses to the operating party of the school. By investing in and acquiring education brands through the fund, combining the school houses and facilities the Company owns, and cooperating with the partners in the industry, we can promote the Group's education platform nationwide and realize sustainable revenue and profit in education sector. For more details, please refer to the announcements dated 21 January 2018.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2017, there were 140 (2016: 142) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staffs based on their performance and contributions to the Group.

OUTLOOK

Looking ahead for 2018, the Group will continue to adapt to our country's economic development and the policies in the industry, strengthen the synergistic cooperation with our controlling shareholder in resources and business. The Group will continue to develop education, tourism, healthcare and industrial park projects, while keep a stable return in the urbanization investment portfolio. We will cooperate with both domestic and overseas brands, develop more ways to secure results and bring stable and continuing revenue for shareholders.

The board of directors and management of China New Town Development Company Limited (the "Company" and the "Board", respectively) are committed to maintaining a high standard of corporate governance principles and practices so as to promote corporate transparency and accountability. Good corporate governance is an integral element of a sound corporation to protect and enhance shareholders' value.

The Board has reviewed its corporate governance practices and confirmed that the Company had complied with all principles and guidelines set out in the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKEx" and the "Listing Rules", respectively) throughout the financial year ended 31 December 2017 (the "Financial Year").

BOARD MATTERS

The Board

The Board has the overall responsibility for the proper conduct of the Company's businesses. The Board's primary role is to provide entrepreneurial leadership, set strategic goal and ensure that the necessary financial and human resources are in place for the Company and its subsidiaries (collectively the "Group") to meet its objectives as well as to protect and enhance long-term values for the shareholders of the Company (the "Shareholders"). It sets the overall strategy for the Group and reviews management performance. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including establishing a framework of prudent and effective controls, setting its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Three (3) Board committees established by the Board include the audit committee (the "AC"), the nomination committee (the "NC") and the remuneration committee (the "RC") (collectively the "Board Committees") and they assist the Board in discharging its duties. The effectiveness of each Board Committee is also constantly monitored.

The Board meets at least four times a year at approximately quarterly intervals for review of the financial performance and results of each period, material investments and other significant matters of the Group. The articles of association of the Company (the "AoA") provides for the convening of the Board or Board Committee meetings by way of telephonic or similar communications.

The attendance records of the directors of the Company (the "Directors") at the meetings of the Board, the Board Committees and the extraordinary general meeting (the "EGM") and annual general meeting (the "AGM") during the Financial Year are set out below:

	Attendance/Number of Meetings (during director's tenure)					
Name	**Board Meeting**	**AC**	**NC**	**RC**	**EGM**	**AGM**
Executive Directors						
Liu Heqiang	3/4	—	—	—	1/1	1/1
Yang Meiyu	3/4	—	—	—	1/1	0/1
Ren Xiaowei	4/4	—	—	—	1/1	0/1
Shi Janson Bing	4/4	—	—	—	1/1	1/1
Non-executive Directors						
Wei Wei	2/4	—	—	—	1/1	1/1
Zuo Kun	2/4	—	—	—	1/1	1/1
Li Yao Min	3/4	—	—	—	1/1	1/1
Xie Zhen	3/4	—	—	—	1/1	1/1
Independent Non-executive Directors						
Henry Tan Song Kok (Lead)	4/4	3/3	1/1	2/2	1/1	1/1
Kong Siu Chee	4/4	—	1/1	2/2	1/1	1/1
Zhang Hao	4/4	3/3	—	—	1/1	0/1
E Hock Yap	4/4	3/3	1/1	2/2	1/1	0/1

Apart from regular Board meetings, the Chairman also held a meeting with Non-executive Directors (the "NEDs") and Independent Non-executive Directors (the "INEDs") without the presence of Executive Directors (the "EDs") during the Financial Year.

Delegation by the Board

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, release of the Group's interim and annual results, connected transactions of a material nature, declaration of interim dividends and recommendation of final dividends.

All other matters are delegated to the Board Committees whose actions are reported to and monitored by the Board while the daily operations are delegated to the executive management and carried out under the supervision of the chief executives. All management and staff have defined roles and responsibilities and are subject to the Code of Conduct as set out in the Employee Manual which imposes on them specific obligations to our business.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules and written guidelines with more onerous requirements than the Model Code for securities transactions by employees of the Company (the "Securities Code"), and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Chairman, Vice Chairmen and Chief Executive Officer

Mr. Wei Wei is the Chairman of the Board (the "Chairman") and is responsible for ensuring the effectiveness of Board matters, including the formulation, development and reassessment of the Group's strategies and policies. Mr. Zuo Kun and Mr. Li Yao Min are the vice chairmen of the Board (the "Vice Chairmen"). Mr. Zuo is responsible for the duties of the Chairman in the absence of the latter and the execution of the Group's business strategies and plans; while Mr. Li is responsible for advising on the development of the Group. In addition, Mr. Liu Heqiang is the chief executive officer of the Company (the "CEO") and is responsible for overseeing the development of each new town projects and operations of the Company as a whole.

All major decisions made by the Chairman, Vice Chairmen and the CEO are reviewed by the Board. As Mr. Wei Wei is not an INED, Mr. Henry Tan Song Kok was appointed as the Lead INED who will be available to Shareholders when they have concerns and when the contact through normal channels has failed to resolve or for which such contact is inappropriate.

Board Composition and Balance

As at 31 December 2017, the Board comprised twelve (12) members: four (4) EDs, four (4) NEDs and four (4) INEDs. The Board is able to exercise an independent judgment on corporate affairs and provide management with a diverse and objective perspective on issues and no individual or small group could dominate the Board's decision making. There is no alternate Director appointed in the Board.

A list of the Directors and the positions held by each Director is set out in the Profiles of Directors and Senior Management on pages 16 to 20 of this Annual Report. The INEDs are expressly identified in all corporate communications pursuant to the Listing Rules.

There was no financial, business, family or other material relationship among the Directors.

During the Financial Year, the Board met the requirements of having INEDs representing at least one-third of the Board, i.e. four INEDs and exceeded the requirement of having at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise being appointed under the CG Code.

The criterion of independence is based on the definition given in the CG Code and Rule 3.13 of the Listing Rules. The Board considers an "independent" director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers who can interfere, or be reasonably perceived to interfere, with the exercise of independent judgment of the conduct of the Group's affairs by the Director.

The composition of the Board is determined in accordance with the following principles:

- the Board should comprise a sufficient number of Directors to fulfill its responsibilities and act as a group to provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge (the number of Directors may be increased where it is considered that additional expertise is required in specific areas, or when an outstanding candidate is identified); and

- the Board should have enough Directors to serve on various committees of the Board without over-burdening the Directors or making them difficult to fully discharge their duties.

The INEDs exercise no management functions in the Company or any of its subsidiaries. Although every Director has equal responsibility for the performance of the Group, the role of the INEDs is particularly important in reviewing and monitoring the performance of executive management in meeting the Group's agreed goals and objectives and ensuring that the strategies proposed by the executive management are fully discussed and rigorously examined taking into account the long-term interests, not only of the Shareholders but also of the employees, customers, suppliers and many communities in which the Group conducts businesses. The INEDs also meet regularly without management present. The Board considers its INEDs to be of sufficient caliber and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The INEDs have no financial or contractual interests in the Group other than by way of their fees and shareholdings as set out in the Report of the Directors.

The Board is of the view that its current composition of twelve (12) Directors is appropriate taking into account the scope and nature of the operations of the Company and of the Group.

Insurance cover in respect of legal proceedings and other claims against the Directors arising from their offices and execution of their powers, duties and responsibilities has been arranged. During the Financial Year, no legal action was made against any of the Directors in relation to their duties performed for the Company.

Induction and Training of Directors

Upon appointment, each Director receives appropriate induction training and coaching to develop individual skills as required. The Directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings. They also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of business operations and governance practices.

The Directors have confirmed that they had complied with code provision A.6.5 of the CG Code on Directors' training. During the Financial Year, all current Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills and provided their records of training to the Company.

Name of Director	Topics of training covered [Note]
Mr. Wei Wei (Chairman and NED)	B, C
Mr. Zuo Kun (Vice Chairman and NED)	B, C
Mr. Li Yao Min (Vice Chairman and NED)	A, B, C
Mr. Liu Heqiang (Chief Executive Officer and ED)	A, B, C
Mr. Xie Zhen (NED)	A, B, C
Ms. Yang Meiyu (ED)	A, B, C
Mr. Ren Xiaowei (ED)	A, B, C
Mr. Shi Janson Bing (ED)	A, B, C
Mr. Henry Tan Song Kok (Lead INED)	A, B, C
Mr. Kong Siu Chee (INED)	A, B, C
Mr. Zhang Hao (INED)	A, B, C
Mr. E Hock Yap (INED)	A, B, C

Notes: A attending seminar(s) and/or conference on regulations and updates
B reading materials relating to business and operations of the Company, and legal and regulatory updates
C in-house briefing or training of the Company

NOMINATION MATTERS

Board Membership and NC

As at 31 December 2017, the NC comprised three (3) members, all of whom including the chairman were INEDs. The chairman and members of the NC during the Financial Year were as follows:

Mr. E Hock Yap — Chairman
Mr. Kong Siu Chee — Member
Mr. Henry Tan Song Kok — Member

The NC adopted the current terms of reference on 31 March 2017 and its principle functions are to:

1. review the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and make recommendations to the Board regarding any proposed changes to complement the Company's strategy;

2. identify, review and assess individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. assess the independence of INEDs, on an annual basis;

4. make recommendations to the Board on the appointment or re-appointment of Directors (including the INEDs) in accordance with the AoA and succession planning for the Directors in particular the Chairman and the CEO;

5. review the Board diversity policy (the "Board Diversity Policy") on a regular basis and recommend revisions, if any, to the Board for consideration and approval; and

6. assess whether or not a Director is able to carry and has adequately carried out his duties as a Director.

The Company has received written annual confirmation from each Director and reviewed the independence of each INED pursuant to the definition provided by the CG Code and the Listing Rules and is of the view that Messrs. Henry Tan Song Kok, Kong Siu Chee, E Hock Yap and Zhang Hao are independent.

Mr. Kong Siu Chee and Mr. Henry Tan Song Kok have served as the INEDs of the Company for more than nine years from their respective dates of first appointment to the Board.

At the annual assessment carried out by the NC and with the concurrence of the Board, it was concluded that the contributions of Mr. Kong and Mr. Tan towards the Board remain objective and independent in expressing their views and in participating in the deliberations and decision making of the Board and Board Committees. The Board holds the view that a Director's independence cannot be determined arbitrarily by reference to a set period of service. The Company has benefited from Mr. Kong and Mr. Tan's service in terms of their knowledge of the Company's businesses and each of them has proven his commitment, experience and competence to effectively provide core competencies and independent advice to the Company. The NC has confirmed that neither Mr. Kong and Mr. Tan nor their respective associates had any business dealings with the Company.

During the Financial Year, NC held one meeting.

The NC has reviewed the training and professional development programs participated by the Directors. The NC has also reviewed each Director's time of involvement in the Company and considered that it is appropriate taking into consideration of the Directors' board representations held in other listed companies and other major appointments or principal commitments. The NC has reviewed the Board Diversity Policy which was adopted by the Board at the Board meeting held on 13 August 2013 for assessing the Board composition. The NC would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The NC would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the NC would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The Board, at the Board meeting held on 26 February 2015, accepted the recommendation by the NC that the maximum number of listed company board representations which any Director may hold be eight and all Directors have complied with the Board's resolution.

Appointment, Re-election and Removal of Directors

The procedures and processes of appointment, re-election and removal of Directors are laid down in the AoA. Recommendations for the appointments and re-appointments of Directors and appointments of the members of Board Committees are made by the NC and considered by the Board as a whole. The AoA provides that one-third of the Directors (including NEDs) for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third), who have been longest in office since their last re-election or appointment, shall retire from office by rotation at each AGM. Each Director should retire at least once every three years. A retiring Director is eligible for re-election by the Shareholders at the AGM. In addition, any Director appointed by the Shareholders or the Board, as the case may be, either to fill a vacancy or as an additional director, shall retire at the next AGM and shall then be eligible for re-election at that meeting.

The dates of initial appointment, last re-election/re-appointment and other board representations of each of the Directors of the current Board members are set out below:

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/chairmanship both present and those held over the preceding three years in other listed company
Wei Wei	13 May 2016	23 June 2017	NED and Chairman	None	None
Zuo Kun	28 March 2014	29 April 2016	NED and Vice Chairman	None	None
Li Yao Min	11 January 2007	23 June 2017	NED and Vice Chairman	None	Executive director and co-chairman of SRE (from 29 August 2013 to 5 February 2015)
Liu Heqiang	28 March 2014	29 April 2016	ED and CEO	None	None
Yang Meiyu	28 March 2014	23 June 2017	ED	None	None
Ren Xiaowei	28 March 2014	29 April 2016	ED	None	None
Xie Zhen	5 December 2015	29 April 2016	NED	None	None

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/chairmanship both present and those held over the preceding three years in other listed company
Shi Janson Bing	12 August 2016	23 June 2017	ED	None	Executive director of SRE
Henry Tan Song Kok	25 September 2007	29 April 2016	Lead INED	Chairman of AC, a member of each of NC and RC	An independent non-executive director of the following companies: • YHI Corporation (S) Pte Limited; • BH Global Corporation Limited; • Yinda Infocomm Limited; • Chosen Holdings Limited until 16 October 2015; • Ascendas Funds Management (S) Limited until 31 October 2015; and • Raffles Education Corporation Limited until 6 March 2018
Kong Siu Chee	30 November 2006	23 June 2017	INED	Chairman of RC and a member of NC	An independent non-executive director of the following companies: • Harbin Bank Co,. Ltd.; and • Chinney Kin Wing Holdings Limited
Zhang Hao	13 February 2012	23 June 2017	INED	A member of AC	None
E Hock Yap	29 May 2012	24 April 2015	INED	Chairman of NC, a member of each of AC and RC	Executive director of Convoy Global Holdings Limited

Each of the NEDs and INEDs is appointed for a specific term, subject to retirement by rotation once every three years. An appointment letter has been issued to each of the INEDs respectively and its terms are set out in the Report of the Directors.

Pursuant to Article 86(1) of the AoA, Mr. Liu Heqiang, Mr. Ren Xiaowei, Mr. Xie Zhen and Mr. E Hock Yap shall retire by rotation as Directors and, being eligible, shall offer themselves for re-election at the forthcoming AGM. The NC recommends the re-election of the retiring Directors after assessing their contribution, performance and, where applicable, independence.

Board Performance

The Company believes that the Board's performance is ultimately reflected in the performance of the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care and in the best interests of the Company and its Shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that the Company is ably led. The measure of the Board's performance is also tested through its ability to give support to management especially in the times of crisis and to steer the Company in the right direction.

The Board through the delegation of its authority to the NC, has used its best efforts to ensure that the Directors appointed to the Board possess the integrity, background, experience, knowledge and skills relevant to the Company's business and that each Director with his/her special contribution brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC has an annual Board performance evaluation to assess the effectiveness of the Board as a whole and the contribution of individual Directors to the effectiveness of the Board by having the Directors complete a questionnaire. The processes identify weaker areas where improvements can be made. The Board and individual Directors can thus direct more effort in those areas to further enhance the effectiveness of the Board.

Access to Information

Annual meeting schedules and agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least fourteen (14) days before the meetings. For ad-hoc Board and Board Committee meetings, reasonable notice period is provided.

Meeting materials together with all appropriate, complete, relevant and reliable information are sent to all Directors at least 3 days before each Board meeting or Board Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company as well as ongoing reports and to enable them to make informed decisions.

All Directors have unrestricted access to the Company's records and information and received detailed financial and operational reports from senior management during the Financial Year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult other employees and seek additional information on request.

All Directors have separate and independent access to the company secretary of the Company (the "Company Secretary"). The duly appointed secretaries administer, attend, prepare and keep minutes of the Board and Board Committee meetings. The Company Secretary also assist the Chairman in ensuring that the Board procedures are followed and reviewed so that the Board functions effectively, and in compliance with the AoA and relevant rules and regulations including requirements of the HKEx. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and the final versions thereof are open for the Directors' inspection.

The appointment and the removal of the Company Secretary is a matter for the Board as a whole and are considered at a Board meeting.

The AoA contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving the transactions in which such Directors or any of their associates have a material interest.

Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

As at 31 December 2017, the RC comprised three (3) members, all of whom including the chairman were INEDs. The chairman and members of the RC during the Financial Year were as follows:

Mr. Kong Siu Chee — Chairman
Mr. Henry Tan Song Kok — Member
Mr. E Hock Yap — Member

The RC adopted the current terms of reference on 31 March 2017 and its principle functions are to:

1. implement and administer any performance incentive schemes of the Company;

2. make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing a policy on such remuneration; and

3. review and determine the specific remuneration packages for all EDs and senior management.

In carrying out their duties, the RC may obtain independent external legal and other professional advice as mentioned above, as it deems necessary, relating to the remuneration policy and in determining the level and mix of remuneration for the Directors and senior management. The expenses of such advice will be borne by the Company.

Level and Mix of Remuneration

The RC makes recommendations to the Board on remuneration packages of the EDs and senior management taking into account the performance of the Group, as well as the pay and employment conditions in the same industry and comparable companies, while aligning the EDs' interests with those of Shareholders and linking rewards to corporate and individual performance.

The INEDs receive directors' fees in accordance with their contributions and taking into account factors such as efforts, time involvement and responsibilities of the INEDs. Directors' fees are subject to approval of the Shareholders at the AGM.

The remuneration of the EDs and senior management comprises a basic salary component and a variable component. The variable component comprises a variable bonus linking to the Company's and individual performance and other variable components including the grant of share options. Details of the remuneration of Directors are set out in the Report of the Directors.

The annual review of the remuneration packages of the Directors is carried out by the RC and recommendation if any is made to the Board with an aim to ensure the remuneration of the EDs and senior management is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. No Director should involve in deciding his/her own remuneration.

During the Financial Year, the RC held two meetings to review and recommend the remuneration of the EDs and the fees payable to the INEDs.

Disclosure on Remuneration

Details of the remuneration of the Directors and top five (5) key executives' of the Group paid or payable for the Financial Year are set out in Note 33 to the Consolidated Financial Statements.

The number of senior management whose remuneration fell within the following bands during the Financial Year are as follows:

	2017
RMB500,001 — RMB1,000,000	**1**
RMB1,000,001 — RMB1,500,000	**1**
RMB1,500,001 — RMB2,000,000	**1**
	3

ACCOUNTABILITY AND AUDIT

Accountability

The Board aims to ensure that the interim and annual financial statements and results announcements of the Company are presented in a manner which provides a balanced and understandable assessment of the Group's performance, position and prospects. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Financial Year.

The financial statements for the Financial Year have been prepared in accordance with the International Financial Reporting Standards and give a true and fair view of the state of affairs including the operations and finances of the Group and of the Company and effective risk management and sound internal control systems are in place. The Board has received assurance confirming the same from the CEO and financial controller of the Company (the "Financial Controller"). It seeks to present a balanced and informed assessment of the Company's performance, position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Risk Management and Internal Control

The Board is responsible for the effectiveness of the overall risk management of the Group. The Board is fully aware that effective internal control and risk management practices play an important role in the operation of the enterprise and have been committed to the risk management process and risk assessment framework.

Under the supervision and leadership of the Board, the management team regularly inspects the Group's business and operation activities and fulfils the following duties: identifying the potential risks of the Group including operating risk, strategic risk, market risk, legal risk, and financial risk, identifying the risk characteristics, evaluating the impact of various risks on the Group's achievement of the goal, and timely taking reasonable measures to control and mitigate these risks. Deloitte, the Group's internal audit service provider, has updated the Group's Comprehensive Risk Management Handbook according to the latest market trend and the situation of the Company, and assisted the management to address and control these risks. Management and internal auditors have reviewed all major control policies and procedures and will present all major potential issues to the Board and the AC.

The Board is committed to establishing an effective internal control system, which is ultimately accountable for the Group's internal control, risk management and compliance management. The Board directs the establishment of the entity-level internal control management system of the Group, conducts regular study and assessment on the soundness, rationality and validity of internal controls, considers the internal control organizational structure of the Group, the organization setting, basic management policies, major risk incident disposal, and reviews and approves the annual internal control assessment report of the Company. The Board annually reviews the Company's resources, staff qualifications and competence in accounting, internal audit and financial reporting functions, as well as the adequacy of training courses and related budgets that are received by relevant staff. The AC has been set up under the Board, to oversee the implementation of the Company's internal control and management policies, and to examine and evaluate the compliance and effectiveness of the Company's major business activities. The Group has established an internal audit function under the management team to guide, coordinate and supervise the implementation of internal control compliance by the Company and its subsidiaries. The Group and its subsidiaries' investments, finance, operation management, capital market, cost management, engineering management and other functional departments have the primary responsibility of risk management and internal control compliance in the internal control system; internal audit function is responsible for ex-ante prevention, in-event coordination and planning, and ex-post supervision of risk management and internal control compliance.

During the Financial Year, the Group has taken the following actions to implement internal control: (1) The Board engaged a professional institution to carry out the Group's annual internal control inspection and streamlined the overall internal control system, with main focus on the internal control requirements by HKEx. The internal control effectiveness testing, deficiency rectification and other related work were completed to form an internal control inspection report. The Group supervised and assisted the management to rectify the issues identified in time. (2) The Group formulated the Authority and Responsibility Matrix Guidebook, which clarifies key authority and responsibility's allocation. The division of responsibilities and processes shall strictly follow the Guidebook if relevant incident occurs, improving the timeliness and accuracy of matters handled.

The internal control system provides a reasonable (not absolute) assurance for the Group to achieve its business objectives and ensures that the Group will not be adversely affected by any reasonably predictable event in its pursuit of business objectives. However, due to inherent limitations of internal control, it is not possible to provide absolute assurance towards major errors, inappropriate decision or judgement, human mistakes, losses, frauds or other non-compliant matters. The Board believes that there is still room for further improvement in the existing internal control system, the Group will continue to pay attention to rectification of the previous internal control weaknesses, as well as closely monitor the comprehensive impact of internal and external environment and its change. The Board will continue to identify, assess, and prevent the existing risks and new risks, and continuously evaluate the integrity, rationality and effectiveness of internal control system. The Board will keep on improving the internal control system, so that the level of internal control and risk prevention shall adapt to the pace of the Group's development, and effectively ensure the realization of its strategic objectives.

As of 31 December 2017, according to the internal control system and enterprise's risk management framework established and maintained by the Group, and referring to the work of internal auditors and management reviews, the Board and the AC believed that the Group's internal control system and the risk management system are fully effective in coping with financial, operational, compliance and information technology risks. The Board has received written confirmations from the CEO and the CFO that the financial records are duly deposited and that the Company's financial statements are true and fair presentation of the Company's operations and financial results. The CEO and the CFO's confirmation also includes the effectiveness of the Company's risk management and internal control systems.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad and non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the EDs, the Company Secretary and investor relations officers are authorised to communicate with parties outside the Group.

Audit Committee

As at 31 December 2017, the AC comprised three (3) members, all of whom including the chairman were INEDs. The chairman and members of the AC during the Financial Year were as follows:

Mr. Henry Tan Song Kok — Chairman
Mr. Zhang Hao — Member
Mr. E Hock Yap — Member

Mr. Henry Tan Song Kok possesses accounting and related financial management expertise and experience. The Board considers that Mr. Zhang Hao and Mr. E Hock Yap has sufficient financial knowledge and experience to discharge his responsibilities as a member of the AC.

The AC adopted the current new terms of reference on 31 March 2017 and its principal functions are to:

(a) review the financial reporting process, management of financial risks and the audit process;

(b) review the audit plans and results of the external auditors' examination and evaluation of the Group's systems of internal accounting control and any matters which the external auditors wish to discuss (in the absence of management, where necessary);

(c) review the scope and results of the internal audit procedures;

(d) review the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board and the external auditors' report on those financial statements;

(e) review the interim and annual announcements on the results and financial position of the Company and of the Group;

(f) review the co-operation and assistance given by the management to the Group's external auditors;

(g) evaluate the cost effectiveness, independence and objectivity of the external auditors of the Company and the nature and extent of the non-audit services provided by them;

(h) make recommendations to the Board on the appointment, re-appointment and remuneration of the external auditors of the Company;

(i) evaluate the adequacy and adherence of the risk management and internal control systems including administrative, operating and internal accounting control of the Group; and

(j) review connected transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its Shareholders.

The AC is authorised to investigate any matter within its terms of reference, and has full access to the management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any Director or executive management to attend its meetings. The AC meets with the internal auditors and the external auditors separately, at least twice a year, without the presence of management, to discuss the reasonableness of the financial reporting process, to monitor and review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the external auditors.

During the Financial Year, the AC held three meetings to, among others, review the scope and quality of audit by the Company's external auditor, Ernst & Young ("EY"), the independence and objectivity of EY as well as the cost effectiveness of its audit. The AC also reviewed the service fee to EY. During the Financial Year, the Company engaged EY for other assurance services for acquiring Lenovo Mobile Communication Software (Wuhan) Co., Ltd. from Motorola Beijing. The details of annual audit fee and other assurance service fees to EY for the financial years ended 31 December 2016 and 2017 are set out below:

RMB'000	**2017**	2016
Annual audit fee	**3,000**	3,600
Other assurance service fee	**800**	550
Total	**3,800**	4,150

Through AC, the Company has an appropriate and transparent relationship with EY. In the course of audit of the Group's financial statements, EY has highlighted to the AC matters that require the AC's attention. EY is invited to attend meetings of the AC for the purposes of presenting their audit plan and report as well as their comments on the audited financial statements.

The Company's annual results for the Financial Year have been reviewed by the AC.

EY's audit opinion on the consolidated financial statements of the Group for the Financial Year is set out in the "Independent Auditor's Report" on pages 67 to 71 of this Annual Report.

The AC is satisfied that EY is able to meet the audit obligations of the Company and has recommended to the Board the re-appointment of EY as the Company's external auditor for the year ending 31 December 2018 subject to the approval of the Shareholders at the forthcoming AGM.

The Group has appointed different external auditors for its subsidiaries in the People's Republic of China (the "PRC") in order to meet its local statutory regulations. The Board and the AC are satisfied that the appointment does not compromise the standard and effectiveness of the audit of the Company. The AC members takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on the financial statements through attendance at training and update on recent developments to accounting standards provided by professionals.

Whistle Blowing Policy

The Company has adopted a whistle blowing policy which provides a channel for employees to report serious concerns relating to financial reporting and unethical or illegal conduct.

Throughout the Financial Year, no whistle blowing report was received.

Internal Audit

To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding Shareholders' investment and the Group's assets, the AC has also appointed an internal audit function team to enhance the internal controls of the Group. The internal audit function team reports to the chairman of the AC on any material weakness and risks identified in the course of the internal audit are also communicated to the management. The management will accordingly update the AC the status of the remedial action plans.

The AC reviews and approves the annual internal audit plans and reviews the scope and the results of the internal audit according to the procedures issued by the internal audit function team.

COMPANY SECRETARY

Pursuant to the code provision F.1.1 of the CG Code, Mr. Kwok Siu Man ("Mr. Kwok") of Boardroom Corporate Services (HK) Limited, the external service provider, was appointed as the Company Secretary with effect from 12 August 2016. During his engagement period, he reports to the Board and maintains contacts with the CEO, Mr. Liu Heqiang.

As Mr. Kwok was first appointed as the company secretary of a Hong Kong Hang Seng Index constituent stock company in 1991 and has been acting in such capacity for a number of other reputable companies listed on the HKEx at a substantial amount of time since then, he was not required to have at least 15 hours of relevant continuous professional development training under the Listing Rules for each of the five consecutive years from 2012. Mr. Kwok had received no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the Financial Year.

COMMUNICATION WITH SHAREHOLDERS

The Group acknowledges the importance of timely and equal dissemination of material information to the Shareholders, investors and public at large. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable.

The AGM remains the principal forum for dialogue with Shareholders. Shareholders are encouraged to participate in the proceedings and ask questions about the resolutions being proposed at the AGM and the operations of the Group.

The Company has conducted roadshows regularly in Hong Kong and PRC for business update and actively arrange for communications with Shareholders/investors in the light of specific progress of various projects in Hong Kong and other regions and areas. The Company strived to enable a comprehensive exchange of opinions and mutual understanding between Shareholders/investors.

The AoA allows a member of the Company (the "Member") entitled to attend and vote at the meeting of the Company to appoint one or more proxies to attend and vote on behalf of him/her and also provides that a proxy need not be a Member. Voting in absentia by facsimile or email is not currently permitted to ensure proper authentication of the identity of Shareholders and their voting intentions.

The chairmen of the AC, RC and NC are usually available at the AGM to answer any questions from the Shareholders relating to the work of these Board Committees. The Company's external auditor is invited to attend the AGM and will assist the Directors in addressing queries from the Shareholders relating to the conduct of the audit and the preparation and content of the independent auditor's report.

During the Financial Year, notice of at least 20 clear business days was given to the Shareholders for the 2017 AGM. Sufficient notice was given in accordance with the AoA, the laws of British Virgin Islands in which the Company is incorporated, and the CG Code.

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantial issue at Shareholders' meetings, including the election of individual Director. All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be published on the respective websites of the Company and HKEx after each Shareholder's meeting.

Minutes of general meetings include substantial and relevant queries or comments from the Shareholders relating to the agenda of meeting and responses from the Board and management. These minutes would be available to the Shareholders upon their request.

The Company organises briefings and meetings with analysts and fund managers regularly to provide them with a better understanding of its businesses. In addition, the Company appointed Strategic Financial Relations Limited as its investor relations consultant to promote investor awareness for the Company.

The Group maintains a corporate website at www.china-newtown.com which contains the Company's publicly disclosed financial information, annual reports, interim reports, news releases, announcements and corporate developments.

Shareholders and potential investors are welcome to communicate with the Company or put forward enquiries to the Board by any of the following ways:

Email	: ir@china-newtown.com
Contact Number	: +852 3643 0200
Fax Number	: +852 3144 9663
Address	: 8203B-04A, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

SHAREHOLDERS' RIGHTS TO CONVENE AND PUT FORWARD PROPOSALS AT EGM

Pursuant to the AoA, EGMs may be convened by the Board on requisition in writing of the Shareholders holding not less than one-twentieth of the total voting rights of the matter for which the meeting is being requested. The written requisition shall be made to the Board or the Company Secretary at the business address or registered office address which are set out in the Corporate Information of this Annual Report, to request an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMPLIANCE WITH MODEL CODE AND SECURITIES TRADING

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. The Directors have confirmed, following specific enquiries by the Company that they had complied with the Model Code throughout the Financial Year.

The Company has also established the Securities Code for its employees who are likely to be in possession of unpublished price-sensitive information of the Company. It prohibits the Directors and employees from dealing in the Company's shares on short-term considerations and during the period commencing 30 days before the publication of the Company's financial results for each of the first six months of the financial year and 60 days before the publication of the Company's full year financial results (or, if shorter, the period from the end of the relevant financial period or year up to the publication date of the results).

No incident of non-compliance of the Securities Code by the employees was noted by the Company.

CONSTITUTIONAL DOCUMENTS

Following the delisting of the shares in the Company from the Singapore Exchange Securities Trading Limited with effect from 17 February 2017, the Company will not be required to comply with the Listing Manual of the Singapore Exchange Securities Trading Limited. In view of such, the Board proposed to make relevant amendments to the memorandum of association and AoA of the Company. Such amendments were approved by the Shareholders at the AGM held on 23 June 2017 by way of a special resolution. An up-to-date version of the Memorandum and AoA is also available on the respective websites of the Company and HKEx.

MATERIAL CONTRACTS

Save as the service agreements between the Directors and the Company, there were no material contracts entered by the Company or its subsidiaries involving the interests of the CEO, any Director or controlling shareholders subsisting during the Financial Year or at the end of the Financial Year.

CONCLUSION

The Company recognizes the importance of good corporate governance practices for maintaining and promoting investor confidence. The Board will continue to review and improve its corporate governance practices on an ongoing basis.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This report is the second Environmental, Social and Governance Report (ESG) published by China New Town Development Company Limited ("CNTD" or the "Company", together with its subsidiaries, the "Group"). By reporting the policies, measures and performances of the Company in environmental, social and governmental aspects, it allows all stakeholders to understand the progress of the Company towards sustainable development.

Available in both Chinese and English, the report has been uploaded to the website of CNTD www.china-newtown.com and that of the Stock Exchange of Hong Kong (the "SEHK").

REPORTING SCOPE AND BOUNDARY

This report focuses on the operation of the Company's core businesses, primary urbanization development and land development, between January 2017 and December 2017. The reporting boundary includes

- the Group's eight offices, located in Hong Kong, Beijing, Shanghai, Nanjing, Shenyang and Changchun; and

- Shanghai Luodian Project and Nanjing Yuhua Project, two of the Group's key projects in development, respectively managed by the Group's subsidiaries Shanghai Golden Luodian Development Co., Ltd. and CDB Nanjing Investment Development Co., Ltd.（國開南京投資發展有限公司）("project companies")

While this report does not cover all of CNTD's operations, the aim of the Company is to consistently upgrade the internal data collection procedure and gradually expand the scope of disclosure.

REPORTING STANDARD

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") launched by the SEHK. The four reporting principles, namely materiality, quantitative, balance and consistency, form the backbone of this report.

To provide stakeholders with an overview of the Group's performance in ESG aspects, this report discloses not only the environmental key performance indicators ("KPIs") under the 'comply or explain' provisions, but also additional social KPIs under the 'recommended disclosures' in the ESG Reporting Guide.

A complete index is provided in the last chapter for reader's easy reference.

To ensure the accuracy of environmental KPIs, a professional consultancy, Carbon Care Asia ("CCA"), has been commissioned to conduct a carbon assessment.

CONFIRMATION AND APPROVAL

Information documented in this report is sourced from the official documents, statistical data and information collected by CNTD and its subsidiaries concerning the management and operation following the Group's system. The report has been confirmed and approved by the Board of Directors of the Group on 22 March of 2018.

FEEDBACK

The Company values the opinion of stakeholders. If you have any questions or suggestions regarding the content or format of the report, please contact us via the following channels:

Address: 8203B–04A International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Email: ir@china-newtown.com
Fax: (852) 3144 9663

MANAGEMENT STATEMENT

Our Mission

We aim to balance the development of the Group, the environment and the society, leading the Group to thrive in a low-carbon economy and sustainable world.

Realising the global challenges that climate change brought about, the Chinese government in recent years has been increasingly emphasizing the sustainability of urban development. Utilizing its expertise, CNTD is determined to grasp the opportunities lying under the challenges.

We not only have been actively exploring investment in China's urbanization and other downstream industries including education, tourism and health, but also sparing utmost effort to achieve sustainability in internal governance on various environmental and social aspects.

In the reporting year, we have further reviewed, standardized and enhanced our internal practices in sustainability management. We began to measure our carbon emission through a systematic assessment process. A range of internal training and an online learning platform were introduced to our employees. Also, we continue to organize community program that highly engaged our employees.

Going forward, we will continue to innovate and enhance our capability in making greater contribution to sustainable development. We will also plan to establish carbon reduction targets, strengthen talent empowerment and actively contribute to education and poverty alleviation.

With the endeavour to become a role model in the area of sustainability management, CNTD will go for business model that is low-carbon, socially responsible and can create synergy with its stakeholders.

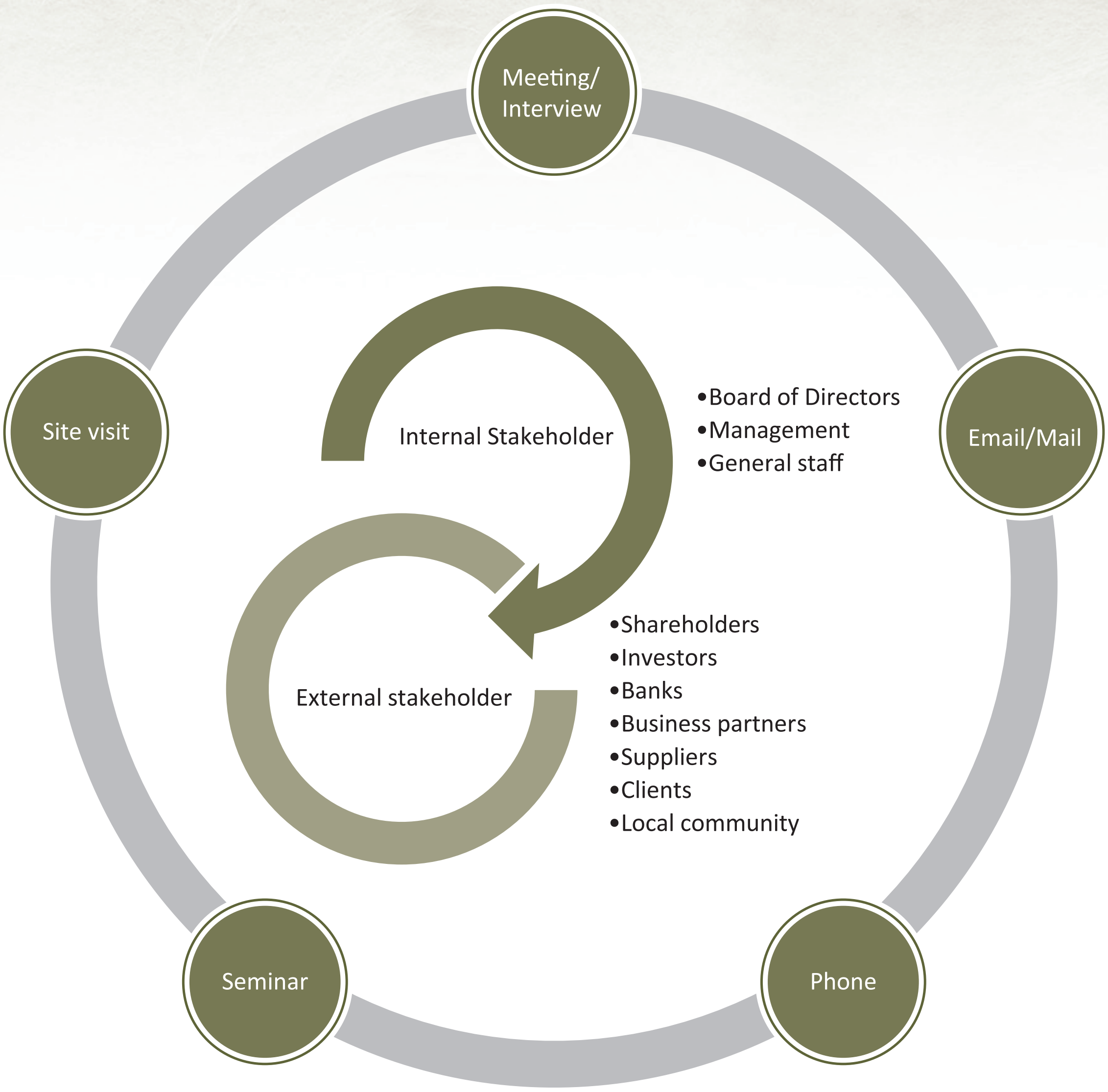
Liu Heqiang
Chief Executive Officer
China New Town Development Company Limited

STAKEHOLDER ENGAGEMENT

Major means of stakeholder[1] engagement

The Group constantly communicates with key internal and external stakeholders through various channels. Stakeholder participation allows the Group to ensure the alignment of its business and sustainability strategies with stakeholders' perspectives and expectations.

This continuous communication journey also safeguards a regular interval for the Group to keep up the pace of change, identify and prioritise any emerging ESG risks, and turn them into opportunities.



[1] Stakeholders refer to groups or individuals materially influencing or affected by the Group's business. Internal stakeholders include board of directors, management, administration executives and new recruits. External stakeholders include shareholders, investors, banks, business partners, industry associations, suppliers, the government, media and NGOs.

Material sustainability issues in the reporting period

This year, the Company commissioned an independent consultancy to conduct a management interview. Combining the results of interview and expert advice, the Group selected five material issues from the eleven environmental and social aspects from the ESG Reporting Guide to be the material focus of this report.

- Employment
- Development and Training
- Emissions
- Use of Resources
- The Environment and Natural Resources

To ensure the effectiveness of stakeholder engagement, the Group dedicates itself to establishing communication mechanisms for transparency, integrity and accuracy and providing timely response. Looking forward, the Company is considering engaging a broader set of stakeholders in a more interactive way in order to ensure that its practices and disclosures accurately reflect the issues that are the most important to its stakeholders.

PROTECTING THE ENVRIONMENT

At Project Level

After obtaining the development right through tendering or nomination, the Group engaged in downstream processes of primary land development before the land can enter the secondary land market. These include acquisition and planning stage, in which approval from the governmental authorities on the environmental aspects of the site is required; as well as site formation and development which might involve demolition of buildings, resettlement of residents and construction of the basic transport and municipal infrastructure.

To ensure legal compliance of the procedures concerned, CNTD formulated the Primary Land Development and Operation Guidelines (for trial implementation) (《土地一級開發操作指引（試行）》) ("the Guidelines") based on relevant national and local laws and regulations. The construction work is carried out by its appointed main contractors and subcontractors ("contractors"), the Group also has Safe and Civilized Construction Management Approach (《安全文明施工管理辦法》)in place to monitor their performance in safety and environmental management. These internal policies are jointly implemented by the Engineering Department of CNTD with its project companies.

Strictly enforcing the Guidelines, project companies commissioned qualified external consultancies to conduct environmental impact assessment. Documents including the reports, forms and registers regarding the environmental impacts of the projects were submitted for the approval of Environmental Protection Bureau.

To obtain approval, for the projects which cause nuisance to the surrounding residence due to air emission, noise and solid waste, the project company concerned must obtain the consent from the local residents. Upon approval, project companies are also required to comply strictly with national and local emission standards, to ensure mitigation measures stipulated in the approval document.

Project companies are also required to ensure their contractors comply with the requirements accordingly. These include but does not limited to

- Be in line with the city's land use and environmental functional planning;
- Make reasonable use of natural resources;
- Ensure pollutant emissions shall not exceed the national and local standards;
- Prevent environmental pollution and ecological damage;
- Truthfully explain the environmental condition and quality to the stakeholders before the project move on to operation, and the proposed protective measures to be taken.

During the development stage, to cut down emissions from the project sites, project companies monitor if their contractors implement the required measures onsite by conducting regular site inspection.

To reduce flying dust

- Install site hoardings with required height and sturdiness
- Ensure surfaces of main roads and material processing areas are hard paved
- Install wheel-washing facilities
- Cover up dusty materials
- Set smoking and non-smoking zones

To treat wastewater properly and avoid land pollution

- Set up a wastewater drainage system
- Prevent mud, sewage and wastewater from polluting the environment

To treat waste properly and avoid generating waste

- Set up enclosed refuse chutes to store waste
- Sort and store construction waste and domestic waste separately
- Transfer construction waste in specified containers or pipes
- Carry out measures to prevent wastage of materials due to improper storage

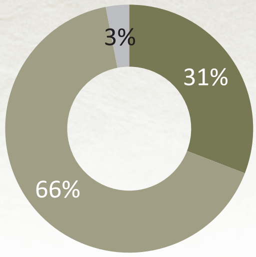
Trees is another valuable natural resource. For any cutting or transplantation of trees, the project companies shall engage a qualified landscaping surveyor to conduct on-site surveys and compile a plan for the approval of the Gardening Bureau in accordance with the Guidelines.

Due to its business nature, the Group's Operation does not involve the use of massive packaging material.

At office

To understand the efficiency of the use of resources and its carbon footprint, this year CNTD commissioned an external consultancy, CCA, to perform a carbon assessment to quantify the greenhouse gases of the eight offices. During the assessment process, the Guidelines[2] released by the National Development and Reform Commission of the People's Republic of China, the Guidelines[3] compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong, and other international standards including ISO 14064-1 and GHG Protocol, were referred to.

GHG Emissions of Eight Office



Electricity consumption is the largest contributor to the GHG emissions, accounting for 66% of total. To reduce electricity consumption and its carbon emissions, the Group's eight offices have continuously promoted and taken various energy-saving measures. These include maintaining the room temperature at 26 degree Celsius, turning off lighting in areas with abundant natural daylight, posting notices to promote energy-saving habits, and using LED lighting which is of higher energy efficiency than traditional lighting.

Only non-hazardous waste was generated in eight offices, which was all general waste amounted to 13.1 tonnes. The waste was collected and handled by the property management companies of the building and then transferred to the local environmental and hygiene department. Understanding that paper waste constitute the majority of the office waste, the Group's eight offices have actively promoted electronic communication to lower the need for printing. Currently, all drawing distribution and review in the eight offices were carried out using email and shared drive.

Although all eight offices are currently sourcing sufficient water from municipal supplies, understanding that some regions in the Mainland China face higher water risk, the Group continuously encourages employees to conserve water resources. Regular leakage tests on the water supply system were also performed to prevent wastage.

During the reporting period, there were no cases of non-compliance with laws and regulations related to environmental protection.

EMPOWERING THE PEOPLE

Employment System

CNTD sees talent as its key for driving success and sustainable development. The Group has established various Management Approaches including Staff Recruitment and Dismission Management Approach to define the internal standards regarding employments arrangements including recruitment, working hours, leaves, remuneration, promotion and dismissal.

To attract high-calibre workforce, the Group offers competitive remuneration. A variable element is included in the salary of all staff, which is determined by their monthly and annual appraisal results. With a defined rank and salary structure in place, employees are able to understand how their salary is calculated, and the potential rate and range of salary increment at their ranks.

2 Guidelines for Accounting and Reporting Greenhouse Gas Emissions China Public Building Operation Units (Enterprises) (Trial)

3 Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong

The Group is committed to create a fair and respectful working environment. In the Group, promotion decisions are made based on the consideration of employees' appraisal results, experience, skills and other personal attributes. The Group strictly prohibits any kinds of dismissal due to unfair reasons, including physical disability, illness or pregnancy of employees. Apart from statutory leaves and annual leaves, the Group also offers extra paid leaves for breast-feeding parental medical checkups, and prenatal care such as attending parents day of their kids' schools.

During the reporting period, there were no cases of non-compliance with laws and regulations related to employment.

Total workforce: 130 employees

Workforce ratio	By gender 1.4:1 (male to female)	By geographical region 1:13.4 (Hong Kong to Mainland China)	By employment type 20.7:1 (full time to part time)

Total number of new employees	New employees rate
• 37 employees	• 28.46%

Total number of employee turnover	Employee turnover rate
• 38 employees	• 16.92%

Training and Development

With Training Management Approach (《培訓管理辦法》) in place, CNTD prepared an annual training plan based on the directions set by the Group's management, training needs identified by the subsidiaries, and the advice from client and external experts. Based on the plan, both internal training and external training opportunities were offered to employees.

From time to time, the Group arranges training in the forms of, for example, induction training and seminars. Human Resources Department of the Group also kept on maintaining a database of training materials, experts and institutes. Besides, staff-initiated external learning, which is related to the Group's strategic development, is welcomed. Eligible employees may apply for sponsorship for recognised degree programmes and professional examinations.

Training on the Senior Care Real Estate

To enhance the Group's capabilities in the investment business of senior care real estate, this year an internal course on the development and practice of pension estate. In the form of case analysis, the training allowed 23 participating employees to understand more about the development and operation of this niche, and apply to their work.

After the training, a survey was conducted to collect employees' feedback; 90% of the respondents expressed satisfaction towards the training methods and results. To validate the effectiveness of the training, trained employees also took an online assessment.

Health and Safety

To increase health awareness of employees, CNTD arranges pre-employment body check for all new hires. While understanding that occupational health and safety risk of its operation mainly arises from projects, the Group has formulated Safe and Civilized Construction Management Approach to manage the health and safety issues at site level.

During the reporting period, there were no cases of non-compliance with laws and regulations related to health and safety.

Labour Standards

CNTD strictly prohibits the use of child labour and forced labour. During the recruitment process, background check is conducted on the applicants; new hires' original personal document shall be collected for verification when they report for duty. The Group ensures employment contracts are signed, revised, continued, dismissed and terminated based on the principles of lawfulness, fairness, equality and voluntariness, consensus and good faith. All the related requirements and procedures are communicated with employees through the Group's Staff Recruitment and Dismission Management Approach (《員工招聘與離職管理辦法》) and Labour Contract Management Approach (provisional) (《勞動合同管理辦法(暫行)》)).

During the reporting period, there were no cases of non-compliance with laws and regulations related to child labour and forced labour.

OPERATING RESPONSIBILITY

Supply Chain Management

To further regulate the contractors and suppliers of products and services ("suppliers") involved in the Group's projects, this year the Group piloted the Suppliers Management Measures for the Project Procurement (《工程採購供應商管理辦法(試行)》) (provisional) to select suppliers based on standardised procedures.

The Group has maintained a register of suppliers. When there is a need for procurement, the project team will conduct a prequalification review on the selected suppliers from the register, by means of site visits and verification of their operating licenses and certificates. Only suppliers that pass the review, meanwhile do not have significant incidents, non-compliance or lawsuits regarding quality, safety, corruption and anti-competition, could be qualified to be invited to the tendering process.

To continuously monitor the performance of suppliers, the Group reassess the suppliers regularly during the contract period, upon the completion of the project and during post-contract warranty period. The Group's safe and civilized construction management committee also carried out periodic site inspects according to the Safe and Civilized Construction Management Approach; environmental and safety hazards identified, as well as the requirements for rectification are communicated with the contractors.

Product Responsibility

The Group's Project Quality Management Measures (provisional) provide a set of standards to strengthen the control of quality management hence the health and safety risks lie in the project. Quality control guidelines are established throughout the project cycle, from planning, design, tendering to construction, such as the quality requirements on materials, commonly found defects and preventive measures.

All of the Group's employees are required to respect and take measures to ensure the confidentiality of the Group's business information, which include all data about the Group's clients and related to intellectual property of which the right belongs to the Group or an external entity. The importance of these rights and confidentiality requirements are communicated with employees through the Employee Code of Conduct.

Due to its business nature, the Group has not identified material concerns regarding advertising, labelling and privacy matters. During the reporting period, there were no cases of non-compliance with laws and regulations related to product and service responsibility.

Anti-corruption

The Group's Employee Code of Conduct (《員工紀律與行為規範管理辦法》) of stipulated the circumstances under which employees should reject the offers by other entities, including advantages in the form of feast and entertainment. Corruptive behaviours, such as bribery, fraud, abuse of office and misappropriation of public funds, are defined as serious breach of the Code of Conduct, and the employee concerned will be subject to disciplinary action including termination of appointment. A set of internal regulations is also in place on the integrity and conduct of Directors of the Company who are assigned to the Group's subsidiaries.

During the reporting period, there were no concluded legal cases and cases of non-compliance with laws and regulations related to anti-corruption.

INVESTING IN THE SOCIETY

CNTD is dedicated to bringing love and care to the young generation. This year has been the second year since CNTD organized the volunteering service for a special school in Beijing.

This September, CNTD organized a volunteer service to visit Peizhi School in Huairou, Beijing which serves children with mental disability.

Echoing the Company's call for action, 50 employees joined as volunteers, meanwhile donated RMB 23,800 in total, which was used on purchasing 100 sets of winter school uniforms and daily supplies for the children.

The Group's operation located in various provinces and cities in Mainland China with different social structure and needs. In this regards, in the future the Group will establish a set of guidelines that are consistent across the Group, so that its subsidiaries can plan its own community projects in accordance with their local needs.

ESG PERFORMANCE AT A GLANCE

Environmental Performance — Emissions and Use of Resources

Emission Type		Region Hong Kong	Region Mainland China	Total
Air Emissions[i] (in kg)	Nitrogen Oxides	2.69	35.24	37.93
	Sulphur Dioxide	0.05	5.01	5.06
	Particulate Matters	0.20	2.47	2.67
Greenhouse Gas Emissions (in tonnes)	Scope 1[i]	8.6	175.3	183.9
	Scope 2[ii]	7.0	387.1	394.1
	Scope 3	15.5	2.6	18.1
	Scope 1 & 2 Total	15.6	562.4	578.1
	Scope 1, 2 & 3 Total	31.1	565.1	596.2
	Carbon Intensity — Scope 1 & 2 (tonnes per'000 RMB revenue)		0.0005	
Hazardous Waste	Annual amount of hazardous waste produced (in tonnes)		N/A	
	Waste Intensity		N/A	
Non-hazardous Waste	Annual amount of non-hazardous waste produced (in tonnes)[iii]		1,063	
	Waste Intensity (tonnes per'000 RMB revenue)		0.0009	

i. The figure does not include the Beijing Guoman office.

ii. The figure does not include the Nanjing office and the Beijing Guokai office.

iii. The figure does not include the Nanjing project.

Resource Type			Amount of Consumption	
Energy Consumption	Direct energy (in GJ)	LNG	408.7	
		petrol	1,918.5	
	Indirect energy (in MWh)	electricity purchased	469.7	
	Total direct and indirect energy consumed (in GJ)		4,018.0	
	Energy intensity (GJ per '000 RMB revenue)		0.0035	
Water Consumption	Annual amount of water consumed (in m^3)		Projects[iv]	Office[v]
			49,461	8,944
	Total (in m^3)		58,405	
	Water intensity (m^3 per '000 RMB revenue)		0.05	

iv. The figure only includes the Shanghai project.

v. The figure does not include the Beijing Guokai office.

Social Performance — Employment and Labour Practices

Total workforce (by age group, gender and geographical region)

Age Group	Hong Kong		Mainland China	
	Female	Male	Female	Male
Below 30 years old	1	0	19	10
30 to 40 years old	3	2	23	33
41 to 50 years old	2	1	9	27
51 years old and above	0	0	1	7
Sub Total	6	3	52	77
Total	9		129	

Total workforce (by employment type, gender and geographical region)

Employment Type	Hong Kong		Mainland China	
	Female	Male	Female	Male
Full Time	6	3	45	70
Part Time	0	0	3	3
Regular part-time	0	0	4	4
Sub Total	6	3	52	77
Total	9		129	

Work-related fatality and/or injury (by geographical region)

Geographical region	Number of work-related fatalities	Number of work-related injury	Work-related fatality/injury Rate (per 100 workforce)	Number of days lost due to work injury
Hong Kong	0	0	0	0
Mainland China	0	0	0	0

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	46–48
A1.1	The types of emissions and respective emissions data.	51
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	51
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous waste not material to the operation
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	51
A1.5	Description of measures to mitigate emissions and results achieved.	46–48
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	46–48
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	46–48
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	52
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	52
A2.3	Description of energy use efficiency initiatives and results achieved.	46–48
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	46–48
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	47

Material Aspect	Content	Page Index
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	46–48
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	46–48
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	48
B1.1	Total workforce by gender, employment type, age group and geographical region.	52–53
B1.2	Employee turnover rate by gender, age group and geographical region.	49
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	49
B2.1	Number and rate of work-related fatalities.	53
B2.2	Lost days due to work injury.	53
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	49
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	49
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	50
B4.1	Description of measures to review employment practices to avoid child and forced labour.	50
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	50

Material Aspect	Content	Page Index
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	50
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not material concerns to the operation
B6.4	Description of quality assurance process and recall procedures.	
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	
B7 Anticorruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	50
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	51
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	50
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	51
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	51
B8.2	Resources contributed (e.g. money or time) to the focus area.	51

Report of Directors

The directors of China New Town Development Company Limited (the "Company" and the "Directors", respectively) are pleased to present the annual report of the Company (the "Annual Report") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2017 (the "Financial Year").

PRINCIPAL ACTIVITIES

The Group is a new town developer in the People's Republic of China (the "PRC") and was principally engaged in planning and developing large-scale new towns in the largest cities in the PRC among which the activities include designing the master plan, relocating and resettling incumbent residents and businesses, clearing and preparing the land and installing infrastructure. Since 2014, as China Development Bank Capital Corporation Limited ("CDBC" or "CDB Capital") becoming the controlling shareholder of the Company, the Company's business model has been further optimized to diversify from land development into nationwide urbanization projects that cover investment, development, and operation. The Group focuses on core national economic regions such as the Yangtze River delta region and the Beijing-Tianjin-Hebei region, while constantly expanding the urbanization projects with fixed income under the investment portfolio. The principal activities of its principal subsidiaries are set out in Note 3 to the audited consolidated financial statements on pages 108 to 114 of this Annual Report.

BUSINESS REVIEW

As regards the detailed review of the Company's business, principal risks and uncertainties facing, important events affecting the Company that have occurred since the end of the Financial Year, the likely future development in the Company's business and analysis using financial key performance indicators, please refer to the section headed "FINANCIAL REVIEW" on pages 22 to 26 of this Annual Report.

Environmental Policies and Performance

The Company complied with the relevant environmental laws, regulations and policies in the PRC during the Financial Year.

Details of the environmental policies and performance are set out in the ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT on pages 43 to 55 of this Annual Report.

Compliance with the Relevant Laws and Regulations that Have a Significant Impact on the Company

During the Financial Year, the Company was not aware of any non-compliance with the relevant laws and regulations that had a significant impact on it.

Relationships with Employees, Customers, Suppliers and Others

The Group has good relationships with its employees, customers and suppliers. Ongoing professional development is important to the employees given the competitive business environment in which the Group operates. To ensure that employees continue to cultivate skills and knowledge for the fulfillment of their duties and responsibilities, the Group has provided various training programs to its staff. Information about their remuneration package is set out in the paragraph headed "EMOLUMENT POLICY" in this report.

Major Customers and Suppliers

We operate on a distinctive business model and the usual concept of customers under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKEx" and the "Listing Rules", respectively) is not applicable to us. We receive a certain portion of the land premium from the relevant PRC land authorities when they sell land use rights over the land we develop to third party property developers through public auction, tender or listing.

During the Financial Year, purchases from our single largest supplier accounted for approximately 51% of our total purchases, while purchases from our five largest suppliers accounted for approximately 80% of our total purchases. The Directors were not aware of any interests of any Directors, their respective close associates (as defined under the Listing Rules) or any substantial shareholders (including any Director who held more than 5% of the Company's issued share capital) in the five largest suppliers or customers.

PERMITTED INDEMNITY PROVISION

Insurance cover in respect of legal proceedings and other claims against the Directors arising from their offices and execution of their powers, duties and responsibilities has been arranged and in force.

Pursuant to the articles of association of the Company (the "AoA"), if a Director acted honestly and in good faith and in what he believed to be the best interests of the Company and, in the case of criminal proceedings, he had no reasonable cause to believe that his conduct was unlawful, the Directors shall be indemnified against all expenses including legal fees, and against all judgment, fines and amounts paid in settlement and reasonably incurred in connection with legal administrative or investigative proceedings.

RESULTS AND APPROPRIATIONS

The Group's results for the Financial Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 72 to 73 of this Annual Report.

The board of Directors (the "Board") recommended the payment of a final dividend of HK$0.0116 per ordinary share for the Financial Year (2016: nil).

RESERVES

Details of the movements in the reserves of the Group and the Company during the Financial Year are set out in Note 26 to the audited consolidated financial statements on page 137 of this Annual Report.

DISTRIBUTABLE RESERVES

Subject to the BVI Business Companies Act 2004, the Company may declare final dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. The AoA provide that before recommending any dividends, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Financial Year are set out in Note 25 to the audited consolidated financial statements on page 136 of this Annual Report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the AoA which would oblige the Company to offer new shares of the Company (the "Shares") on a pro-rata basis to the shareholders of the Company (the "Shareholders").

TAXATION IN THE BRITISH VIRGIN ISLANDS ("BVI")

The Company is a BVI business company. A BVI business company is exempt from all provisions of the Income Tax Ordinance of the BVI (including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the company to persons who are not resident in the BVI). Capital gains realized with respect to any shares, debt obligations or other securities of the company by persons who are not resident in the BVI are also exempt from all provisions of the Income Tax Ordinance of the BVI.

No estate, inheritance, succession or gift tax is payable by persons who are not resident in the BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

DONATIONS

During the Financial Year, the Group has not made any donations (2016: NIL).

FIXED ASSETS

Details of the movements of the Group during the Financial Year for:

— Property, plant and equipment are set out in Note 18 to the audited consolidated financial statements on page 131 of this Annual Report.

GROUP'S FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 21 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Financial Year, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such listed securities. A voluntary delisting from the Official List of Singapore Exchange Securities Trading Limited (the "SGX-ST") pursuant to a conditional cash exit offer by way of selective share buyback was approved by the Shareholders at an extraordinary general meeting of the Company (the "EGM") held on 17 January 2017. On 14 February 2017, the 119,873,330 Shares which had been validly tendered and cancelled, and the issued share capital of the Company has been reduced from 9,846,119,747 shares to 9,726,246,417 shares.

MOVEMENT IN SECURITIES

As at 31 December 2017, the total number of issued Shares was 9,726,246,417 Shares.

PUBLIC FLOAT

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

EQUITY-LINKED AGREEMENT

The Group has not entered into any equity-linked agreements during the Financial Year.

DIRECTORS

The Directors in office during the Financial Year and as at the date of this report were:

Executive Directors
Liu Heqiang *(Chief Executive Officer)*
Yang Meiyu
Ren Xiaowei
Shi Janson Bing

Non-executive Directors
Wei Wei *(Chairman)*
Zuo Kun *(Vice Chairman)*
Li Yao Min *(Vice Chairman)*
Xie Zhen

Independent Non-executive Directors
Henry Tan Song Kok
Kong Siu Chee
Zhang Hao
E Hock Yap

Pursuant to Article 86(1) of the AoA, Mr. Liu Heqiang, Mr. Ren Xiaowei, Mr. Xie Zhen and Mr. E Hock Yap will retire by rotation at the 2018 AGM. Therefore, the Nomination Committee of the Board recommends the re-election of Mr. Liu Heqiang, Mr. Ren Xiaowei, Mr. Xie Zhen and Mr. E Hock Yap after assessing their contribution and performance. All the aforesaid retiring Directors, being eligible, have offered themselves for re-election thereat.

None of the Directors proposed for re-election at the forthcoming 2018 AGM has a service contract with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out on pages 16 to 20 of this Annual Report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts and directors' contract of service, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the Financial Year.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

From the beginning of the Financial Year to the date of this report, none of the Directors is considered to have an interest in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

INTERESTS IN SIGNIFICANT CONTRACTS OF DIRECTORS, CHIEF EXECUTIVES AND CONTROLLING SHAREHOLDERS

Save as disclosed below and under the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this Annual Report, none of the Directors, chief executives or controlling shareholders (as defined in the Listing Rules) of the Company has entered into any significant contract in relation to the business of the Group to which the Company or its holdings company or any of its subsidiaries or fellow subsidiaries, in which they had a material interest, directly or indirectly and which subsisted at the end of, or at any time during the Financial Year.

EMOLUMENT POLICY

The Group remunerates its employees including the Directors, based on their performances, experiences and the prevailing market rate. Other employee benefits include insurance, medical cover and selective subsidized training. Emoluments of the Directors are determined after taking into consideration of their expertise and job specifications.

Pension Schemes

In Hong Kong, we operate a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to our profit and loss account as they become payable. Our contributions as employer vest fully with the employees when we contribute to the scheme. We contribute 5% of the relevant monthly salary to such scheme and our employees contribute the lower of HK$1,500 or 5% of their monthly salary to such scheme as employee mandatory contributions.

In the PRC, we participate in the relevant social insurance contribution plans organized by the relevant local governmental bodies. In accordance with relevant PRC laws, members of our Group operating in the PRC are required to pay a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, occupational injury insurance and maternity (where applicable) for their relevant employees. We are also required by the relevant PRC regulations to register with a competent housing provident fund management centre and make contributions to the respective housing provident funds for our employees.

Details of the employer's pension cost for the Financial Year are set out in Note 33 of the audited consolidated financial statements on pages 141 to 142 of this Annual Report.

CORPORATE GOVERNANCE

The Corporate Governance Report for the Financial Year is set out on pages 27 to 42 of this Annual Report.

RELATED PARTY TRANSACTIONS

The related party transactions set out in Notes 34(a), (b) and (c) to the consolidated financial statements did not constitute one-off connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

There were no connected transaction and continuing connected transaction between the Group and its connected persons (as defined under the Listing Rules) which are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules for the Financial Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the Financial Year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement whose objects are, or one of whose object is, to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

SECURITIES INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long Position in the Shares

		Number of ordinary shares				Approximate percentage
Name of Directors	**Capacity**	**Personal interest**	**Family interest**	**Corporate interest**	**Total**	**of the issued share capital**
Li Yao Min	Beneficial owner	8,352,672	—	—	8,352,672	0.086%
Henry Tan Song Kok	Beneficial owner	600,000	—	—	600,000	0.006%

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2017, to the best of the Directors' knowledge, the following persons or organizations (other than a Director and the chief executive of the Company) had or were deemed or taken to have an interest and/or a short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Long Position in the Shares

Name of substantial shareholders	Capacity	Number of Shares Direct interest	Corporate interest	Other interests	Total	Approximate percentage of the issued share capital
China Development Bank International Holdings Limited ("CDBIH") (1)	Beneficial owner	5,347,921,071	—	—	5,347,921,071	54.98%
China Development Bank Capital Corporation Limited ("CDB Capital") (1)	Interests of a controlled corporation	—	5,347,921,071	—	5,347,921,071	54.98%
China Development Bank Corporation ("CDB") (1)	Interests of a controlled corporation	—	5,347,921,071	—	5,347,921,071	54.98%
SRE Investment Holding Limited ("SREI")	Beneficial owner	1,468,356,862	—	—	1,468,356,862	15.10%
Shi Jian ("Mr. Shi") (2)	Beneficial owner and interests of a controlled corporation	6,104,938	1,468,356,862	—	1,474,461,800	15.16%
Jia Yun Investment Limited ("Jia Yun") (3)	Person having a security interest in shares	—	—	1,027,849,803	1,027,849,803	10.57%
Jiabo Investment Limited ("Jiabo") (3)	Interests of a controlled corporation	—	1,027,849,803	—	1,027,849,803	10.57%
XIA SHU ("Mr. Xia") (3)	Interests of a controlled corporation	—	1,027,849,803	—	1,027,849,803	10.57%

Notes:

(1) CDBIH is a wholly-owned subsidiary of CDB Capital and CDB Capital, in turn, is wholly owned by CDB. Both CDB and CDB Capital are, therefore, deemed under Part XV of the SFO to be interested in the 5,347,921,071 Shares held by CDBIH.

(2) Pursuant to Part XV of the SFO, Mr. Shi is deemed interested in a total of 1,474,461,800 Shares for the following reasons: (i) Mr. Shi holds 6,104,938 Shares directly; and (ii) Mr. Shi is deemed interested in 1,468,356,862 Shares held by SREI by virtue of the fact that he and his wife, Ms. Si Xiao Dong together beneficially own 66% of the issued share capital of SREI as a controlling shareholder.

(3) Jia Yun acquired the security interests of 1,027,849,803 Shares from SREI on 28 December 2017. Jia Yun is a wholly-owned subsidiary of Jiabo, which in turn, is wholly owned by Mr. Xia. All of Jia Yun, Jiabo and Mr. Xia are, therefore, deemed under Part XV of the SFO to be interested in the 1,027,849,803 Shares of security interest held by Jia Yun.

Save as disclosed above, the Directors are not aware of any other person (other than a Director or the chief executive of the Company) who, as at 31 December 2017, had an interest or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered in the register kept by the Company under the SFO.

CNTD SHARE OPTION SCHEME (THE "SCHEME")

(a) Purpose of the Scheme

The purpose of the Scheme is to provide the participants working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interests with the interests of the Group and thereby providing them with incentives to work better for the interests of the Group and/or rewards for their contribution and support to the Group's success and development.

(b) Participants and Eligibility

The remuneration committee of the Board (the "RC") may, at its discretion, invite any executive or non-executive Directors including independent non-executive Directors (the "INEDs") or any employees (whether full-time or part-time) of any member of the Group or the parent group to take up share options to subscribe for Shares and in determining the basis of eligibility of the participants, the RC would take into account such factors as the RC may at its discretion consider appropriate and recommend to the Board for approval.

The controlling shareholders of the Company and their spouse, child, adopted child, step-child, brother, sister and parent shall not be eligible to participate in the Scheme.

(c) Maximum Number of Shares Available for Subscription

As at the date of this Annual Report, the total number of shares available for issue under the Scheme is 972,624,641 shares, representing approximately 10% of shares in issue as at the date of this Annual Report.

Notwithstanding the provision above, all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 15.0% of the Shares in issue from time to time.

(d) Maximum Entitlement of Shares of Each Participant

Subject to the statement below, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1.0% of the total number of Shares in issue. The total number of Shares issued and to be issued upon exercise of the options granted for any participant who is a director, chief executive or substantial shareholder, or any of their respective associates, in the 12-month period shall not representing in aggregate more than 0.1% of the total number of Shares in issue on the relevant date and having an aggregate value, based on the closing price of the Shares as stated in the HKEx's daily quotations sheet on the relevant date, in excess of HKD5 million.

Subject to the statement below, the grant of any option to an executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of any member of the parent group of the Company (the "Parent Group Participant"), which together with options already granted to such Parent Group Participant in his capacity as such under the Scheme, represents 5.0% or more of the total number of options available to Parent Group Participants under the Scheme, the approval of the independent shareholders of the Company must be obtained for each such Parent Group Participant and on the aggregate number of options to be made available for grant to all Parent Group Participants.

(e) Period for Taking up an Option

The Scheme is subject to the administration of the RC. The RC would take into account the factors in compliance with the listing requirements and the provisions of the Scheme as the RC may at its discretion consider appropriate. As at the date of this Annual Report, the RC has not granted any option nor considered the terms and conditions of the grant of options since the adoption of the Scheme.

(f) Minimum Period for Holding an Option Before Exercise

Subject to the terms and conditions upon which such option was granted, an option may be exercised by the original participant (the "Grantee") at any time during the period to be determined by the RC at its absolute discretion and notified by the RC to each Grantee as being the period during which an option may be exercised and in any event, such period shall not commence until after the first anniversary of the date on which an offer is made to a participant (the "Offer Date") and shall not be longer than 10 years from the Offer Date.

(g) Amount Payable on Acceptance of the Option

The option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the Grantee together with a remittance in favor of the Company of HKD1.00 by way of consideration for the granting thereof is received by the Company within the acceptance period. Such remittance shall in no circumstances be refundable or be considered as part of the subscription price.

(h) Exercise Price

The subscription price in respect of each Share issued pursuant to the exercise of options granted shall be a price solely determined by the RC and shall be at least the higher of:

(i) the closing price of the Shares as stated in the daily quotations sheet of the HKEx on the Offer Date; and

(ii) a price being the average of the closing prices of the Shares as stated in the daily quotations sheet of the HKEx for the 5 business days immediately preceding the Offer Date.

(i) Duration of the Scheme

The Scheme shall be valid and effective for a period of 10 years commenced since the adoption date of 3 September 2010.

During the Financial Year, no option of the Company or any corporation in the Group was granted under the Scheme. Therefore, no share options were exercised or cancelled or lapsed during the Financial Year and there were no outstanding options under the Scheme as at 31 December 2017.

DIRECTORS RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the Financial Year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the audited consolidated financial statements of the Group for the Financial Year and except that each of Mr. Wei Wei, Mr. Zuo Kun, Mr. Li Yao Min, Mr. Liu Heqiang, Ms. Yang Meiyu, Mr. Ren Xiaowei, Mr. Xie Zhen and Mr. Shi Janson Bing, has an employment relationship with the Company, and some of them have received remuneration in that capacity. The particulars of the service agreements and the appointment letters are set out below:

Name of Directors	Date of service agreement(s)/ appointment letter(s)	Term	Fixed annual remuneration	Termination notice period/ payment in lieu of notice
Executive Directors				
Liu Heqiang	28 March 2016	3 years	HKD1.16 million	6 months
Yang Meiyu	28 March 2016	3 years	HKD830,000	6 months
Ren Xiaowei	28 March 2016	3 years	HKD830,000	6 months
Shi Janson Bing	12 August 2017	1 year	HKD800,000	1 month
Non-executive Directors				
Wei Wei	13 May 2016	3 years	—	1 month
Zuo Kun	28 March 2016	3 years	—	1 month
Li Yao Min	22 October 2017	1 year	HKD800,000	1 month
Xie Zhen	28 March 2016	3 years	—	1 month
Independent Non-executive Directors				
Henry Tan Song Kok	22 October 2017	1 year	SGD80,000 plus a meeting allowance of SGD2,800	1 month
Kong Siu Chee	22 October 2017	1 year	SGD70,000 per annum plus a meeting allowance of SGD2,800	1 month
Zhang Hao	22 October 2017	1 year	HKD260,000	1 month
E Hock Yap	22 October 2017	1 year	HKD330,000	1 month

AUDIT COMMITTEE

The audit committee of the Board (the "AC") comprises the following members:

Mr. Henry Tan Song Kok	*(Lead INED and Chairman of the AC)*
Mr. Zhang Hao	*(INED)*
Mr. E Hock Yap	*(INED)*

The AC has recommended to the Board the nomination of Ernst & Young ("EY") for re-appointment as the Company's external independent auditor at the forthcoming 2018 AGM.

The functions performed by the AC (including the review of the audited consolidated financial statements of the Group for the Financial Year) are detailed in the Corporate Governance Report.

INDEPENDENT AUDITOR

There were no changes of independent auditor in the past three years.

The consolidated financial statements of the Group for the Financial Year have been audited by EY who will retire and, being eligible, offer themselves for re-appointment at the forthcoming 2018 AGM. A resolution to re-appoint EY as the independent auditor of the Company and to authorise the Directors to fix their remuneration will be proposed at the 2018 AGM.

For and on behalf of the Board

Wei Wei
Non-executive Director and Chairman

Liu Heqiang
Executive Director and Chief Executive Officer

22 March 2018

EY 安永

To the shareholders of China New Town Development Company Limited

(Incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China New Town Development Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 72 to 156, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, 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 International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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.

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition and measurement of complex investments	
The Group holds a number of investments, which includes investments made during the year. As at 31 December 2017, RMB2,085 million, RMB35 million and RMB542 million of the investments were classified as loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss respectively. Certain contractual arrangements of these investments are complex as they may be equity investments in legal form but debt securities in substance, which in turn can affect their accounting classification and subsequent measurement consequently. The disclosures about the recognition and measurement of the above financial assets are included in Notes 5, 15, 16 and 17 to the consolidated financial statements.	For the investments made during the year, our procedures included, examining the investment agreements to ensure that the terms and conditions of the agreements had been analyzed by considering the possible effect on the accounting treatment, obtaining understanding from management about the business rationale of these transactions, and determining whether the purchase of the investments had been authorised and approved in accordance with the Group's policies. We also assessed management's classification of the investments, and examined the subsequent measurement. For those investments held at the end of the reporting period, we also evaluated management's analysis and assessment of the impairment of the investments.
Revenue from the development of land	
The Group's revenue from land development for sale comprises two components, namely the revenue from the development of land infrastructure, and revenue from the development of ancillary public facilities. Revenue attributable to land infrastructure is recognised in full upon the sale of the relevant land use rights by the local government and when the specific construction works are completed, whereas revenue attributable to ancillary public facilities is recognised at the time of the sale of land infrastructure for the portions of ancillary facilities completed at that time, and thereafter upon the completion of the remaining facilities. The allocation of revenue between these two components is based on their relative fair values of the construction works, determined by reference to the relative estimated construction costs of each component. Significant management judgement is required in assessing the relative fair values, and also in assessing the portions of the works completed. For the current year, revenue of RMB881 million in respect of the Group's land development was derived from land infrastructure and the ancillary public facilities based on the progress of completion. The disclosures about the revenue from land development, including the accounting policies for revenue recognition are included in Notes 2.3, 2.4 and 5 to the consolidated financial statements.	In assessing the revenue recognised for the ancillary public facilities and land infrastructure, we evaluated the significant judgements made by management, which included an examination of the project documentation and other supporting documents, and an assessment of compliance with the applicable regulations. We also discussed the status of the projects under construction with management, assessed the total estimated budget cost made by management, by comparison with completed projects in previous years and projects in the market, evaluated the completion status of projects under construction, and recalculated the percentage of completion. We also evaluated the completeness of the expenditure incurred and to be incurred, for the ancillary public facilities to be constructed, against the detailed government planning documents, tested the reasonableness of the budgets for the construction of the ancillary public facilities and reviewed the budget cost reports prepared by the construction cost engineer. Our testing also included the agreement of costs to invoices and to the project contracts.

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

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 IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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, 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 ISAs 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.

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with ISAs, 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.

To the shareholders of China New Town Development Company Limited
(Incorporated in the British Virgin Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 Leung Shing Kit.

Ernst & Young
Certified Public Accountants
Hong Kong
22 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2017

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2017	2016
Continuing operations			
Operating income		**1,232,296**	303,088
Revenue	5	**1,151,794**	244,572
Other income	6	**80,502**	58,516
Operating expenses		**(665,085)**	(334,524)
Cost of sales	7	**(391,246)**	(46,164)
Selling and administrative expense	7	**(125,764)**	(126,207)
Finance costs	8	**(99,145)**	(104,595)
Other expenses	6	**(48,930)**	(57,558)
Operating profit/(loss)		**567,211**	(31,436)
Gain on disposal of a joint venture	9	**—**	103,444
Share of losses of joint ventures	4	**(4,395)**	(1,204)
Profit before tax from continuing operations		**562,816**	70,804
Income tax	10	**(143,452)**	(3,651)
Profit for the year from continuing operations		**419,364**	67,153
Discontinued operations			
Loss after tax for the year from discontinued operations	14	**—**	(34,065)
Gain after tax on disposal of assets and liabilities relating to discontinued operations	9	**—**	301,277
Profit for the year		**419,364**	334,365
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Net losses on available-for-sale financial assets	16	**(951)**	—
Income tax effect relating to the components of OCI	10	**238**	—
Other comprehensive loss for the year, net of tax		**(713)**	—
Total comprehensive income for the year, net of tax		**418,651**	334,365

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2017

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	**2017**	2016
Profit attributable to:			
Equity holders of the parent		**335,614**	322,654
Non-controlling interests		**83,750**	11,711
		419,364	334,365
Total comprehensive income attributable to:			
Equity holders of the parent		**334,901**	322,654
Non-controlling interests		**83,750**	11,711
		418,651	334,365
Earnings per share (RMB per share) attributable to ordinary equity holders of the parent:			
Basic and diluted, profit for the year	13	**0.0345**	0.0328
Basic and diluted, profit from continuing operations	13	**0.0345**	0.0106

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2017	2016
Assets			
Non-current assets			
Investment in joint ventures	4	**99,225**	49,297
Loans and receivables	15	**1,295,146**	1,067,277
Available-for-sale financial assets	16	**35,049**	32,000
Financial assets at fair value through profit or loss	17	**541,600**	818,673
Property, plant and equipment	18	**11,923**	9,232
Prepaid land lease payments	19	**2,395**	2,552
Deferred tax assets	10	**102,718**	70,023
Prepayments	21	**200,000**	—
Other assets		**9,725**	9,085
Total non-current assets		**2,297,781**	2,058,139
Current assets			
Land development for sale	20	**1,296,166**	1,562,429
Prepayments	21	**9,446**	3,068
Other receivables	22	**894,517**	1,070,245
Trade receivables	23	**1,275,816**	62,408
Loans and receivables	15	**790,000**	1,000,000
Other current assets		**2,833**	6,285
Cash and bank balances	24	**1,532,265**	2,349,397
Total current assets		**5,801,043**	6,053,832
Total assets		**8,098,824**	8,111,971
Equity and liabilities			
Attributable to:			
Equity holders of the parent:			
Share capital	25	**4,070,201**	4,110,841
Other reserves	26	**592,792**	579,270
Other comprehensive loss		**(713)**	—
Accumulated losses		**(440,886)**	(776,500)
		4,221,394	3,913,611
Non-controlling interests		**383,820**	364,256
Total equity		**4,605,214**	4,277,867

As at 31 December 2017

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2017	2016
Non-current liabilities			
Senior guaranteed notes	27	**—**	1,294,201
Interest-bearing bank and other borrowings	28	**298,938**	275,528
Deferred tax liabilities	10	**22,733**	23,710
Total non-current liabilities		**321,671**	1,593,439
Current liabilities			
Interest-bearing bank and other borrowings	28	**50,000**	520,950
Trade payables	30	**147,601**	114,466
Other payables and accruals	31	**287,960**	211,189
Senior guaranteed notes	27	**1,297,891**	—
Advance from customers		**1,040**	—
Advances received for the settlement of the Disposal Assets		**—**	538,975
Deferred revenue arising from land development	29	**706,365**	352,794
Current income tax liabilities		**492,814**	383,740
Financial liabilities at fair value through profit or loss	32	**188,268**	118,551
Total current liabilities		**3,171,939**	2,240,665
Total liabilities		**3,493,610**	3,834,104
Total equity and liabilities		**8,098,824**	8,111,971
Net current assets		**2,629,104**	3,813,167
Total assets less current liabilities		**4,926,885**	5,871,306

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

Wei Wei
Non-executive Chairman

Liu Heqiang
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2017

(All amounts expressed in RMB'000 unless otherwise specified)

		Attributable to equity holders of the parent						
	Notes	Share capital	Other reserves	Available-for-sale reserve	Accumulated losses	Total	Non-controlling interests	Total equity
As at 1 January 2016	25/26	4,110,841	579,270	—	(1,099,154)	3,590,957	293,465	3,884,422
Total comprehensive income		—	—	—	322,654	322,654	11,711	334,365
Capital injection by non-controlling interests		—	—	—	—	—	20,577	20,577
Disposal of subsidiaries		—	—	—	—	—	38,503	38,503
As at 31 December 2016 and 1 January 2017	25/26	**4,110,841**	**579,270**	**—**	**(776,500)**	**3,913,611**	**364,256**	**4,277,867**
Total comprehensive income		**—**	**—**	**(713)**	**335,614**	**334,901**	**83,750**	**418,651**
Capital withdrawal by non-controlling interests		**—**	**(10,733)**	**—**	**—**	**(10,733)**	**(64,186)**	**(74,919)**
Share the reserve of a joint venture		**—**	**24,255**	**—**	**—**	**24,255**	**—**	**24,255**
Buyback shares of the Company		**(40,640)**	**—**	**—**	**—**	**(40,640)**	**—**	**(40,640)**
As at 31 December 2017	25/26	**4,070,201**	**592,792**	**(713)**	**(440,886)**	**4,221,394**	**383,820**	**4,605,214**

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2017

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2017	2016
Cash flows from operating activities			
Profit before tax from continuing operations		**562,816**	70,804
Profit before tax from discontinued operations		**—**	314,212
Profit before tax		**562,816**	385,016
Adjustments for:			
Impairment of other receivables	6	**38,679**	13,146
Depreciation of property, plant and equipment		**1,486**	2,078
Amortisation of prepaid land lease payments	19	**157**	377
Amortisation of intangible assets		**321**	320
(Gain)/loss on disposal of prepaid land lease payment, property, plant and equipment		**(476)**	38,227
Net fair value loss/(gain) on financial assets/liabilities at fair value through profit or loss	6	**3,909**	(10,184)
Gain on disposal of subsidiaries and a joint venture	9	**—**	(451,721)
Interest expense on financial liabilities at fair value through profit or loss	8	**8,741**	3,051
Share of losses from joint ventures	4	**4,395**	1,204
Interests from loans and receivables	5	**(241,127)**	(193,729)
Dividends received from financial assets at fair value through profit and loss	5	**(14,646)**	(6,804)
Interests from bank deposits	6	**(35,105)**	(34,816)
Gain from wealth products	6	**(31,357)**	—
Interest expense on bank and other borrowings		**15,410**	59,740
Interest expense on senior guaranteed notes	8	**74,994**	75,406
Foreign exchange loss	6	**9,615**	4,179
Operating gain/(loss) before working capital changes		**397,812**	(114,510)
Decrease/(increase) in land development for sale		**268,240**	(15,946)
Increase in properties under development for sale		**—**	(242,548)
Decrease in prepaid land lease payments		**—**	34,165
Decrease in inventories		**3,273**	3,038
Increase in prepayments		**(2,148)**	(29,795)
Decrease/(Increase) in other receivables and other current assets		**144,509**	(256,911)
Increase in trade receivables		**(1,213,408)**	(13,787)
Decrease in prepaid income tax		**—**	25,158
Decrease in deferred revenue arising from sale of golf club memberships		**—**	(11,995)
Decrease in advances received for the settlement of the Disposal Assets		**(538,975)**	—
Increase in advances from customers		**1,040**	142,738
Increase in deferred income arising from land development		**353,571**	—
Increase in trade and other payables		**32,612**	807,264
		(553,474)	326,871
Income tax paid		**(68,279)**	(10,478)
Net cash (outflow)/inflow from operating activities		**(621,753)**	316,393

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2017

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	2017	2016
Cash flows from investing activities			
Purchases/construction of property, plant and equipment		**(4,627)**	(17,424)
Proceeds from disposal of property, plant and equipment		**26**	—
Payments for intangible assets		**—**	(60)
Disposal of subsidiaries and a joint venture		**—**	2,237,753
Acquisition of a subsidiary		**—**	6,609
Investments in joint ventures		**(30,068)**	(50,000)
Investment in available-for-sale financial assets		**(4,000)**	—
Net investments in loans and receivables		**(17,869)**	(806,789)
Interest received from loans and receivables		**241,988**	193,729
Redemption/(investments) in financial assets at fair value through profit or loss		**273,164**	(739,563)
Dividends received from financial assets at fair value through profit or loss		**14,646**	6,804
Interest received from bank deposits		**35,105**	34,816
Gain from wealth products		**24,542**	—
Prepayments for the equity acquisition		**(200,000)**	—
Payments of expenses incurred for the transaction cost of the Disposal		**—**	(2,975)
Net cash inflow from investing activities		**332,907**	862,900
Cash flows from financing activities			
Proceeds from non-controlling interests		**—**	3,200
Cash payment for buyback shares of the Company		**(40,640)**	—
Proceeds from bank and other borrowings		**71,600**	30,000
Repayment of bank and other borrowings		**(517,184)**	(743,169)
Proceeds from borrowing from a related party		**—**	502,560
Repayment of borrowing from a related party		**—**	(200,000)
Cash released from restricted deposits in relation to interest payments for bank borrowings		**—**	206,186
Proceeds received from other interest holders of the consolidated structured entity		**70,000**	118,500
Payment for the revolving loan facility fee		**(4,230)**	—
Interest paid		**(95,482)**	(139,085)
Net cash outflow from financing activities		**(515,936)**	(221,808)
Net (decrease)/increase in cash and cash equivalents		**(804,782)**	957,485
Effect of exchange rate changes on cash and cash equivalents		**(12,350)**	18,753
Cash and cash equivalents at beginning of year		**2,349,397**	1,373,159
Cash and cash equivalents at end of year	24	**1,532,265**	2,349,397

The accompanying accounting policies and explanatory notes are an integral part of the consolidated financial statements.

1. CORPORATE AND GROUP INFORMATION

China New Town Development Company Limited (the "Company") was incorporated on 4 January 2006 in the British Virgin Islands (the "BVI"). After a series of reorganisations, on 14 November 2007, the Company was listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). On 22 October 2010, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx") by way of introduction. As a result, the Company was once dual-listed on the Main Boards of both the SGX-ST and the HKEx. The Company voluntarily delisted from the SGX-ST on 17 February 2017 (see Note 13).

The Company with its subsidiaries (the "Group") is a new town developer in Mainland China and is principally engaged in planning and developing large-scale new towns in China's largest cities, among which the activities include designing the master plan, relocating and resettling incumbent residents and businesses, clearing and preparing the land and installing infrastructure. Since 2014, as China Development Bank Capital Corporation Limited ("CDBC" or "CDB Capital") becoming the controlling shareholder, the Company's business models have been further optimized to diversify from land development into nationwide urbanization projects that cover investment, development, and operation. The Group focuses on such core national economic regions as the Yangtze River delta region and the Beijing-Tianjin-Hebei region, while constantly expanding the urbanization projects with fixed income under the investment portfolio.

The Company used to be a subsidiary of SRE Group Limited ("SRE"), a company listed on the HKEx since September 2009. During 2012, SRE disposed of its entire holding of shares in the Company to SRE's own shareholders via a special dividend in the form of a distribution in species. Upon completion of that distribution, in October 2012, SRE no longer held any shares in the Company and ceased to be the parent of the Company. As a result of that distribution, SRE Investment Holding Limited ("SREI"), the parent of SRE became the largest shareholder of the Company.

On 10 October 2013, the Company, China Development Bank International Holdings Limited ("CDBIH") and SREI entered into a share subscription agreement (the "Subscription Agreement"), pursuant to which CDBIH had agreed to subscribe for 5,347,921,071 new shares of the Company subject to the terms and conditions contained therein (the "Subscription"). The Subscription was completed in the first quarter of 2014. As a result, CDBIH, a wholly-owned subsidiary of CDB Capital, became the largest shareholder of the Company.

As an appendix to the Subscription Agreement, there was a disposal master agreement (the "Disposal Master Agreement") between the Company and SREI to dispose of the specified assets and liabilities not relating to the Group's principal business of planning and development of new town projects in the Mainland China (the "Disposal Assets"). Execution of the Disposal Assets was completed in 2016.

In the opinion of the directors of the Company (the "Directors"), with the completion of the share subscription of CDBIH, the Company's ultimate holding company is China Development Bank Corporation ("CDB"), which holds 54.98% of the issued share capital of the Company through CDBIH after delisted from SGX-ST.

Subsidiaries

The principal activities of the subsidiaries are disclosed in Note 3 below.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with IFRSs issued by the International Accounting Standards Board (the "IASB").

The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

(a) Basis of consolidation

The consolidated financial statements include the financial statement 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. Specifically, the Group controls an investee if, and only if, the Group has:

(a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

(b) Exposure, or rights, to variable returns from its involvement with the investee

(c) The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has 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(s) with the other vote holders of the investee

(b) Rights arising from other contractual arrangements

(c) The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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 ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if it results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All 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)

(a) Basis of consolidation (continued)

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 the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(b) Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group's business, the Group's normal operating cycle is longer than twelve months. The Group's current assets include assets (such as land development for sale) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the end of the reporting period, in accordance with IFRSs.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Amended standards and interpretations

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 40.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. 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 Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, 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 (or included in a disposal group that is classified) as held for sale.

These amendments have had no impact on the Group.

(All amounts expressed in RMB'000 unless otherwise specified)

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and assumptions

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 disclosed below:

(i) Carrying amount of land development for sale

The Group's land development for sale is stated at the lower of cost and net realisable value.

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 infrastructure and attributable to ancillary public facilities and infrastructure, and its net realisable value, i.e., the revenue to be derived from the sale of land 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 development for sale based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land development for sale over their net realisable values 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 development for sale a in the periods in which such estimate is changed will be adjusted accordingly.

Pursuant to the approval of the detailed planning for the Eastern Zone of Luodian New Town Project by the local government, the management revised the budget for the total expenditure which amounted to RMB1,607 million in 2017. According to the revised detailed planning, the area of land available for sale are 177,201 square meters. As a result, the unit cost for land development (estimated based on budgeted cost of services per area of land developed) in Luodian New Town was increased from RMB3,216 to RMB9,067 per square metre prospectively for land sold in 2017 and onwards.

The change in accounting estimate resulted in the following pre-tax impact on the consolidated statements of profit or loss and other comprehensive income of the Group for the year ended 31 December 2017:

	For the year ended 2017
Increase in cost of sales for the year	171,151

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

(ii) Deferred tax assets and liabilities

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Deferred tax liabilities are recognised for taxable temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed. For details of deferred tax assets and liabilities, please see Note 10.

(iii) Impairment of receivables

Impairment of receivables is made based on assessment of the recoverability of receivables. The identification of impairment of receivables requires management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will have an impact on the carrying value of the receivables and the impairment of receivables or reversal of impairment in the period in which such estimate has been changed.

(iv) Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Such estimates could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in Note 2.4. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and the value in use, the calculation of which involves the use of estimates.

(v) Measurement of revenue from land development

Revenue from the development of land infrastructure and ancillary public facilities (owned by the local governments) within the districts where the Group runs its businesses is allocated and recognised separately. The allocation of revenue from the land development to land infrastructure and ancillary public facilities is based on their relative fair values of the construction works, determined by reference to the relative estimated construction costs of each component, as the nature of construction works for the components is similar.

Revenue attributable to land infrastructure is recognised in full upon the sale of the relevant land use rights and the specific construction works are completed. However, revenue attributable to ancillary public facilities is recognised for the portions of ancillary public facilities completed at the sale of the land. The remaining revenue attributable to uncompleted portions of ancillary public facilities is recognised as deferred revenue as a current liability in the statement of financial position, and will be recognised as revenue when the related construction works are completed.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

(vi) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 39 for further disclosures.

(vii) Control on structured entities

The Group's management needs to assess whether the Group has the power over a structured entity and is exposed to significant variable return of a structured entity. If such power and exposure exist, the Group has to consolidate such structured entity. The judgements the Group used in determining whether or not it has control over the structured entities are detailed in Note 3 (b).

The Group reassess whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed in Note 2.1 (a).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in a joint venture

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 unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date less any impairment losses. Goodwill, if any, relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the investor. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investment in a joint venture (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss within 'Share of losses of joint ventures' in the statement of profit or loss and other comprehensive income.

Upon loss of 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 joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on the current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Fair value measurement

The Group measures financial instruments, such as financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, at fair value at the end of each reporting period. Also, the fair values of financial instruments are disclosed in Note 39.

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 to 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.

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 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — 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 re-assessing 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

(a) 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 at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing 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 IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other income in the statement of profit or loss and other comprehensive income.

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 profit or loss. Reassessment only occurs if there is 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.

(b) 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 financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. 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 EIR. The EIR amortisation and the losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income.

This category generally applies to loans and receivables, trade receivables and other receivables. For more information on loans and receivables, refer to Notes 15, 22 and 23.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial assets (continued)

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. 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 EIR. The EIR amortisation and the losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income.

(d) Available-for-sale (AFS) financial investments

AFS financial investments include equity and debt securities. Equity investments classified as AFS are those that 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 the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised as OCI and credited in the AFS financial investments reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS financial investments reserve to the statement of profit or loss and other comprehensive income in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is 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 the management has the ability and intention to hold these assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS 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 EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, the amount recorded in equity is reclassified to profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Derecognition of financial assets (continued)

Where 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 risks and rewards of ownership. 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred since the initial recognition of the asset (an incurred "loss event") and that loss event has 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.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued 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 in the statement of profit or loss and other comprehensive income. Loans together with the 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 year, 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 in the statement of profit or loss and other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment of financial assets (continued)

(b) Available-for-sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the 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. When 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 and other comprehensive income — is removed from OCI and recognised in the statement of profit or loss and other comprehensive income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

In the case of debt instruments classified as AFS, the 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 and other comprehensive income.

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. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss and other comprehensive income, the impairment loss is reversed through the statement of profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, bank and other borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank and other borrowings, financial liabilities at amortised cost and financial liabilities at fair value through profit or loss.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(a) Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, senior guaranteed notes, and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in profit or loss.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Subsequent measurement (continued)

(b) 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 sale in the near term. 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 profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

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

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 profit or loss.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses.

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. Such cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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 (10% of the cost) over its estimated useful life. The estimated useful lives for this purpose are as follows:

Buildings	20 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

When 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 prospectively if appropriate, at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment 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 profit or loss in the year the asset is derecognised is the difference between the fair value less cost to sell and the carrying amount of the relevant asset.

CIP represents buildings under construction and is stated at cost less any impairment in value, and is not depreciated. Cost mainly comprises the direct costs during the period of construction and capitalised interest. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of construction and other costs directly attributable to such land development for sale.

Land development for sale is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land development for sale based on prevailing market conditions.

Any excess of cost over the net realisable value of individual items of land development for sale is recognised as an allowance.

Inventories

Inventories, which mainly refer to supplies and low-value consumables used in hotel and golf course operations, are accounted for at cost when purchased. Cost of supplies is determined using the first-in, first-out method. Low-value consumables relating to golf course and hotel operations are expensed in full when issued for use.

Inventories are valued at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is the estimated selling price in the ordinary course of business, less estimated expenses and related taxes necessary to make the sales. The net realisable value is determined based on contract prices or market prices.

Any excess of cost over the net realisable value of individual items of inventories is recognised as an allowance.

Cash and cash equivalents

For the purpose of the 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.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

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 and other comprehensive income.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than land development for sale, inventories, deferred tax assets, financial assets, investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, 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 assessment is made at each reporting date as to whether there is any 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 certain financial assets 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 profit or loss in the period in which it arises.

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 assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Operating leases (continued)

Prepaid land lease payments under operating leases are initially stated at cost. The subsequent measurement of prepaid land lease payments is as follows:

(i) Prepaid land lease payments incurred for properties other than investment properties and investment properties under construction (after the adoption of IAS 40 revised), they are amortised over the lease terms on the straight-line basis. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in profit or loss.

(ii) Prepaid land lease payments included in investment properties and investment properties under construction (after the adoption of IAS 40 revised) are not amortised as they are stated at fair value.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations

- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or

- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

Additional disclosures are provided in Note 14. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from land development for sale

The Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities (owned by the local governments) within the districts where the Group runs its businesses. When the parcels of land are sold by the local governments to land buyers through public auction, tender or listing, the Group is entitled to receive from the local governments a proportion of the proceeds from land sales (including related public utilities fees, if any). As ancillary public facilities are separately identifiable from land infrastructure, such proceeds to be received by the Group are allocated between land infrastructure and ancillary public facilities based on their relative fair values.

Asset and fund management fees

Asset and fund management fees are recognised when the services are rendered and the Group is entitled to receive the income.

Sale of development properties

Revenue from the sale of properties is recognised upon completion of a sale agreement, which refers to the time when properties are completed and delivered to the buyers. Deposits and instalments received on properties sold prior to the completion of the respective sale agreements are included as advances received from the pre-sale of properties under development. The revenue from property development is recognised in discontinued operations.

Hotel operations revenue

Hotel operations revenue represents the income from hotel and convention centre rooms and conference facilities, and the sale of related food and beverages, which is recognised when the services are rendered or the goods are sold. The revenue from hotel operations is recognised in discontinued operations.

Golf club membership revenue

Golf club membership entitles the members to golf operations related services provided during the membership period or to purchase goods or services at prices lower than those charged to non-members. Golf club membership revenue is recognised on the straight-line basis which reflects the expected period when the benefits are provided. The revenue from golf operations is recognised in discontinued operations.

Operating lease income

Operating lease income from investment properties is recognised on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the properties together with any further terms for which the lessee has the option to continue to lease the properties, with or without further payments, when at the inception of the lease, it is reasonably certain that the lessee will exercise the option. The revenue from investment property leasing is recognised in discontinued operations.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Revenue recognition (continued)

Interest income

Interest income is recognised on a time proportion basis using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, which is generally when the shareholders approve the dividend.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, 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. Other borrowing costs are recognised as expenses when incurred.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of fund. The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a set of properties acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

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 for the current and prior periods 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 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from goodwill or 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 taxable temporary differences associated with investments in subsidiaries 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 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, and 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 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.

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 at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it 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.

Dividends

When dividends have been approved by the directors and shareholders and declared, they are recognised as a liability.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Employee retirement benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in Mainland China (the "PRC group companies") have participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred.

In Hong Kong, the Group operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable. The Group's contributions as employer vest fully with the employees when the Group contribute to the scheme. The Group contributes 5% of the relevant monthly salaries to such scheme and the Group's employees contribute the lower of HKD1,250 and 5% of their monthly salaries to such scheme as employee mandatory contributions.

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 senior executives) 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 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by the Company with assistance from the valuer using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date 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 profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share, where appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Foreign currency translation

These Group's consolidated financial statements are presented in RMB which is the Company's functional and presentation currency. 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. All transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating to those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognised in profit or loss. 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 determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of 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).

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities and assets are not recognised on the statement of financial position of the Group.

Government grants

Government grants (including non-monetary grants) are recognised at their fair value where there is reasonable assurance that the grants 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. When the grant relates to an asset, the grant is deducted from the relevant asset before arriving at the carrying amount of the asset. The grant is recognised in the statement of profit or loss and other comprehensive income over the time of asset realisation by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facility services.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that have been issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9.This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity when first time adopting IFRS 9.

(a) Classification and measurement

The Group does not expect a significant impact on its financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. The equity shares in non-listed companies currently held as available-for-sale financial assets with gains and losses recorded in OCI will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss. The AFS reserve of RMB713 thousand relating to those equity shares, which is currently presented as accumulated OCI, will be reclassified to retained earnings. Therefore, the application of IFRS 9 will not have a significant impact. Loans as well as receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. This will increase impairment provision and increase the accumulated losses upon first time adoption. The Group does not expect a significant impact on such adjustments on its statement of financial position and equity.

(c) Hedge accounting

These amendments are not applicable to the Group.

(d) Other adjustments

In addition to the adjustments described above, on adoption of IFRS 9, other items of the primary financial statements such as deferred taxes, investments in the joint ventures, will be adjusted as necessary. The exchange differences on translation of foreign operations will also be adjusted. The Group does not expect a significant impact on these adjustments.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. Since the Group's current practice is in line with the clarifications issued, the Group does not expect any significant effect on its financial statements.

(a) Sale of goods

For contracts with local governments or customers in which the sale of goods are generally expected to be the only performance obligation, the adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Rendering of services

(i) Asset and fund management fees

The Group provides consulting services or fund management services. These services are sold either on their own in contracts with the customers or bundled together with the investment projects. Currently, the Group accounts for the services as separate deliverables of bundled sales and allocates consideration between these deliverables using the relative fair value approach. The Group recognises service revenue by reference to the stage of completion. Under IFRS 15, allocation will be made based on relative stand-alone selling prices. Hence, the allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to these sales would be affected. However, the Group does not expect any significant effect on its financial statements.

(ii) Revenue from land development for sale

The Group provides construction and preparation works in respect of land infrastructure and ancillary public facilities (owned by the local governments) within the districts where the Group runs its businesses. Currently, the Group accounts for the service as separate deliverables of bundled sales and allocates consideration between land infrastructure and ancillary public facilities using the relative fair value approach. The Group recognises two kinds of service revenue by reference to the stage of completion. As ancillary public facilities are separately identifiable from land infrastructure, such proceeds to be received by the Group are allocated between land infrastructure and ancillary public facilities based on their relative fair values. Under IFRS 15, allocation will be made based on relative stand-alone selling prices which is similar to the accounting method currently applied by the Group. Hence, the allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to these sales would not have a significant impact on the revenue from land development for sale.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees — leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). 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). 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 be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Currently, it is expected that IFRS 16 would have no significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Currently, it is expected that the amendments would have no significant impact on the Group's financial statements.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 2 *Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2*

The IASB issued amendments to IFRS 2 Share-based Payment that address issues in 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 tax obligations; 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.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- Whether an entity considers uncertain tax treatments separately

- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 40 *Transfers of Investment Property*

The amendments 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. Entities should apply the amendments prospectively to 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 that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply the amendments when they become effective. However, since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its financial statements.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Annual Improvements 2014–2016 Cycle (issued in December 2016)
These improvements include:

IFRS 1 _First-time Adoption of International Financial Reporting Standards — Deletion of short-term exemptions for first-time adopters_
Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

IAS 28 _Investments in Associates and Joint Ventures_ — Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

Applying IFRS 9 _Financial Instruments_ with IFRS 4 _Insurance Contracts_ — Amendments to IFRS 4
The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9. These amendments are not applicable to the Group.

IFRIC Interpretation 22 _Foreign Currency Transactions and Advance Consideration_
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation; or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (continued)

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its financial statements.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date.

Prepayment Features with Negative Compensation — Amendments to IFRS 9

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of (the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract).

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

The amendments is effective for annual reporting periods beginning on or after 1 January 2019. The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the remainder of IFRS 9. The Group will apply the interpretation from its effective date.

Long-term interests in associates and joint ventures — Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The Board also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Long-term interests in associates and joint ventures — Amendments to IAS 28 (continued)

The amendments is effective for annual reporting periods beginning on or after 1 January 2019. The amendments is effective for annual reporting periods beginning on or after 1 January 2019. The Group will apply the interpretation from its effective date.

IAS 19 *Employee Benefits*

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognised in other comprehensive income.

This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognized before. Changes in the effect of the asset ceiling are not netted with such amounts.

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. The Group will apply the interpretation from its effective date.

Annual Improvements to IFRS Standards 2015–2017 Cycle

These improvements include:

The amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — previously held interest in a joint operation

These amendments clarify whether the previously held interest in a joint operation (that is a business as defined in IFRS 3) should be remeasured to fair value, when:

- A party to a joint operation obtains control over the joint operation (IFRS 3)

- A party that participates in (but does not have joint control over) a joint operation obtains joint control over the joint operation (IFRS 11)

IFRS 3

When a party to a joint operation obtains control of a joint operation that is a business, it must remeasure to fair value the interest it previously held in that joint operation. This is because the Board views a transaction where control is gained as a significant change in the nature of, and the economic circumstances surrounding, the interest in the joint operation. Paragraph 42A is therefore added to IFRS 3, to clarify that such a transaction must be accounted for as a business combination achieved in stages.

An entity should apply the amendments to business combinations with acquisition dates on or after 1 January 2019. Earlier application is permitted and should be disclosed. The Group will apply the interpretation from its effective date.

IFRS 11

When a party that participates in (but does not have joint control over) a joint operation, obtains joint control over that joint operation that is a business (as defined in IFRS 3), it must not remeasure the interest it previously held in that joint operation. Although such a transaction changes the nature of an entity's interest in a joint operation, in the Board's view, it does not result in a change to the group boundaries. Paragraph B33CA is therefore added to IFRS 11 to clarify this point. An entity must apply the amendments to transactions in which it obtains joint control on or after 1 January 2019. Earlier application is permitted and should be disclosed. The Group will apply the interpretation from its effective date.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Annual Improvements to IFRS Standards 2015–2017 Cycle (continued)

The amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — previously held interest in a joint operation (continued)

The amendment to IAS 12

The Board was asked to clarify whether the income tax consequences of payments on financial instruments classified as equity should be recognised in profit or loss or in equity. The Board added paragraph 57A to IAS 12 to clarify that an entity must recognise all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend. Paragraph 52B was deleted.

The amendments must be applied for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted and must be disclosed. The amendments must first be applied to income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Group will apply the interpretation from its effective date.

The amendment to IAS 23

Paragraph 14 of IAS 23 requires an entity to exclude borrowings made specifically for the purpose of obtaining a qualifying asset, when determining the funds that an entity borrows generally and uses for the purpose of obtaining a qualifying asset. The Board amended paragraph 14 to clarify that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

The amendments must be applied for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted and should be disclosed. The Group will apply the interpretation from its effective date.

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES

Company

	Notes	2017	2016
Unlisted shares, at cost	(a)	**3,524,561**	3,524,561
Advances to subsidiaries, net	(c)	**1,526,783**	1,526,783
		5,051,344	5,051,344

(a) As at 31 December 2017 and 2016, the Group's direct or indirect interests in all subsidiaries are set out below:

Directly held by the Company

Name	Place and date of incorporation	Cost of investment	Proportion of ownership interest (%) 2017	2016	Principal activities/ Place of operation
Meeko Investment Limited ("Meeko")	British Virgin Islands 19 August 2005	1,230,300	**100.00**	100.00	Investment holding/ Hong Kong
Weblink International Limited ("Weblink")	British Virgin Islands 17 November 2005	794,261	**100.00**	100.00	Investment holding/ Hong Kong
Protex Investment Limited	British Virgin Islands 18 October 2006	—	**100.00**	100.00	Investment holding/ Hong Kong
China New Town Holding Co., Ltd. ("CNT Holding")	Hong Kong 17 July 2014	1,500,000	**100.00**	100.00	Investment holding/ Hong Kong and PRC
China New Town Finance I Limited ("Finance I")	British Virgin Islands 11 March 2015	—	**100.00**	100.00	Investment holding/ Hong Kong
		3,524,561			

Indirectly held by the Company

Ultimately held through	Name	Place and date of incorporation/ establishment and issued share capital	Proportion of ownership interest (%) 2017	2016	Effective equity interest (%) 2017	2016	Principal activities/ Place of operation
Meeko and Weblink	Shanghai Golden Luodian Development Co., Ltd. ("SGLD")	PRC 26 September 2002 RMB208,100,000	**72.63**	72.63	**72.63**	72.63	Land development/ PRC
Weblink	Shanghai Jia Tong Enterprises Co., Ltd. ("Shanghai Jiatong")	PRC 12 April 2006 RMB1,000,000	**100.00**	100.00	**100.00**	100.00	Consultation services/ PRC

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(a) As at 31 December 2017 and 2016, the Group's direct or indirect interests in all subsidiaries are set out below: (continued)

Indirectly held by the Company (continued)

Ultimately held through	Name	Place and date of incorporation/ establishment and issued share capital	Proportion of ownership interest (%)		Effective equity interest (%)		Principal activities/ Place of operation
			2017	2016	**2017**	2016	
Protex Investment Limited	China New Town Development (Changchun) Company Limited ("CNTD Changchun")	British Virgin Islands 7 September 2006 Nil	**100.00**	100.00	**100.00**	100.00	Investment holding/ Hong Kong
	China New Town Development (Wuxi) Company Limited ("CNTD Wuxi")	British Virgin Islands 18 October 2006 Nil	**100.00**	100.00	**100.00**	100.00	Investment holding/ Hong Kong
	China New Town Development (Shenyang) Company Limited ("CNTD Shenyang")	British Virgin Islands 18 October 2006 Nil	**100.00**	100.00	**100.00**	100.00	Investment holding/ Hong Kong
	Safewell Investment Limited	British Virgin Islands 14 February 2007 Nil	**100.00**	100.00	**100.00**	100.00	Investment holding/ Hong Kong
	Shenyang Lixiang New Town Modern Agriculture Co., Ltd. ("Shenyang Lixiang")	PRC 6 March 2007 RMB747,666,613	**100.00**	90.00	**100.00**	90.00	Land development/ PRC
	Shanghai CNTD Management Consulting Co., Ltd.	PRC 21 June 2007 RMB1,512,720	**100.00**	100.00	**100.00**	100.00	Enterprise investment consultation/PRC
CNT Holding	CDBC New Town (Beijing) Management Consulting Co., Ltd.	PRC 20 November 2014 RMB25,000,000	**100.00**	100.00	**100.00**	100.00	Real estate consultation/PRC
	CDBC New Town (Beijing) Asset Management Co., Ltd. ("CDBC New Town")	PRC 6 January 2015 RMB110,000,000	**100.00**	100.00	**100.00**	100.00	Asset management/ PRC

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(a) As at 31 December 2017 and 2016, the Group's direct or indirect interests in all subsidiaries are set out below: (continued)

Indirectly held by the Company (continued)

Ultimately held through	Name	Place and date of incorporation/ establishment and issued share capital	Proportion of ownership interest (%) 2017	Proportion of ownership interest (%) 2016	Effective equity interest (%) 2017	Effective equity interest (%) 2016	Principal activities/ Place of operation
	CDBC New Town (Changchun) Construction and Development Co., Ltd. ("CDBC Changchun")	PRC 2 December 2015 RMB26,275,800	**100.00**	100.00	**100.00**	100.00	Real estate development/ PRC
	CDBC Nanjing Investment Development Co., Ltd. ("CDBC Nanjing")	PRC 1 August 2014 RMB122,000,000	**100.00**	100.00	**100.00**	100.00	Investment and asset development/ PRC
	CDBC Agricultural Investment Management Co., Ltd. ("CDBC Agricultural")	PRC 15 December 2015 RMB22,155,700	**51.85**	51.85	**51.85**	51.85	Investment management/ PRC
	CDBC New Town (Beijing) Investment Fund Management Co., Ltd.	PRC 1 January 2016 RMB10,000,000	**100.00**	100.00	**100.00**	100.00	Investment management/ PRC
	CDBC Chengdu Agricultural Development Co., Ltd.	PRC 1 February 2016 RMB17,377,000	**100.00**	100.00	**51.85**	51.85	Investment management/ PRC
	Yangzhou CDBC Investment Fund Management Co., Ltd.	PRC 1 January 2016 RMB1,000,000	**100.00**	100.00	**100.00**	100.00	Investment management/ PRC
	ShengQi (Jiaxing) Investment Management Co., Ltd.	PRC 23 February 2016 RMB1,000,000	**100.00**	100.00	**100.00**	100.00	Investment management/ PRC
	Beijing Zhuchengyingtai Engineering Management Co., Ltd.	PRC 9 October 2016 Nil	**100.00**	100.00	**100.00**	100.00	Engineering management/ PRC
	New Town Education Co., Ltd. ("NTE")	Hong Kong 11 November 2017 Nil	**100.00**	—	**100.00**	—	Asset management/ Hong Kong

3. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Interests in consolidated structured entities

CDB New Town (Jiangsu) New-type Urbanization Development Fund (the "Jiangsu Fund")

In 2016, CDBC New Town and Sheng Qi Investment Fund Management ("Sheng Qi IFM"), wholly-owned subsidiaries of the Group, entered into a limited partnership agreement with CIB Wealth Management Co., Ltd. ("CIB"), and CDB Jingcheng (Beijing) Investment Fund Company Limited ("CDB Fund"), in relation to the establishment of an investment partnership, the Jiangsu Fund.

The Group had consolidated the Jiangsu Fund as the Group was involved in the capacity of both general partner and limited partner. To determine whether control exists, the Group exercises judgement and assesses whether the combination of investments it held together with related remuneration creates exposure to variability of returns from the activities of the funds that is of such significance that it indicates that it is a principal. The funds shall be consolidated if the Group acts in the role of principal.

The financial impact of the Jiangsu Fund on the Group's financial position as at 31 December 2017, and results and cash flows for the year ended 31 December 2017, though consolidated, are not significant and therefore not disclosed separately.

Interests in the consolidated structured entity directly held by the Group amounted to RMB32.47 million at 31 December 2017 (2016: RMB32.47 million). Interests attributable to other interest holders are presented as finance costs in the consolidated statements of profit or loss and interests held by other interest holders are presented as financial liabilities at fair value through profit or loss in the consolidated statement of financial position.

CDBC Yangzhou Jiangguang Fusion Private Investment Fund (the "Jiangguang Fund")

In 2017, CDBC New Town and Qinhuangdao Zhongmin Investment Company Limited ("Zhongmin Company") entered into a limited partnership agreement to establish a partnership, the Jiangguang Fund, where CDBC New Town (Beijing) Investment Fund Management Co., Ltd. was involved as fund management. For the Jiangguang Fund, Zhongmin Company contributed RMB70 million and had 47% interest in the senior-tranche, and would receive a fixed return of 6.85% per annum. The Group contributed RMB80 million and owned 53% interest of the junior-tranche.

To determine whether control exists, the Group exercises judgement and assesses whether the investments it held together with related remuneration creates exposure to variability of returns from the activities of the funds that is of such significance that it indicates that it is a principal. The funds shall be consolidated if the Group acts in the role of principal.

The financial impact of the Jiangguang Fund on the Group's financial position as at 31 December 2017, and results and cash flows for the year ended 31 December 2017, though consolidated, are not significant and therefore not disclosed separately. Interests attributable to the other interest holder are presented as finance costs in the consolidated statements of profit or loss and interests held by other interest holders are presented as financial liabilities at fair value through profit or loss in the consolidated statement of financial position.

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(c) The advances to subsidiaries are advances to intermediate holding companies, and they are unsecured, non-interest-bearing, with no fixed repayment terms and are expected to be settled in cash. The intermediate holding companies used these advances to finance their investment holdings of equity interests in the Group's indirect subsidiaries, details of which are as follows:

	2017	2016
Amounts due from:		
CNTD Shenyang	**690,897**	690,897
CNTD Wuxi	**658,053**	658,053
CNTD Changchun	**176,320**	176,320
Safewell Investment Limited	**1,513**	1,513
	1,526,783	1,526,783

(d) Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2017	2016
SGLD	PRC	**27.37%**	27.37%
Shenyang Lixiang	PRC	**—**	10.00%
CDBC Agricultural	PRC	**48.15%**	48.15%

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss and other comprehensive income for 2017:

	SGLD	Shenyang Lixiang	CDBC Agricultural
Revenue	**880,626**	**—**	**—**
Cost of sales	**(384,468)**	**—**	**—**
Profit/(Loss) and total comprehensive income/(loss) for the year	**324,364**	**—**	**(8,268)**
Attributable to non-controlling interests	**88,778**	**—**	**(3,981)**
Dividends paid to non-controlling interests	**—**	**—**	**—**

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Material partly-owned subsidiaries (continued)

Summarised statement of profit or loss and other comprehensive income for 2016:

	SGLD	Shenyang Lixiang	CDBC Agricultural
Revenue	62,643	—	15,450
Cost of sales	(33,463)	—	(14,556)
Loss and total comprehensive loss for the year	(151,451)	(4,659)	(3,915)
Attributable to non-controlling interests	(41,452)	(466)	(1,885)
Dividends paid to non-controlling interests	—	—	—

Summarised statement of financial position as of 31 December 2017:

	SGLD	Shenyang Lixiang	CDBC Agricultural
Current assets	**1,750,404**	**—**	**10,411**
Non-current assets	**1,086,323**	**—**	**20,995**
Current liabilities	**(1,193,202)**	**—**	**(856)**
Non-current liabilities	**(298,938)**	**—**	**—**
Total equity	**1,344,587**	**—**	**30,550**
Attributable to non-controlling interests	**368,013**	**—**	**14,711**

Summarised statement of financial position as of 31 December 2016:

	SGLD	Shenyang Lixiang	CDBC Agricultural
Current assets	996,890	1,106,672	31,069
Non-current assets	1,688,802	9,446	17,163
Current liabilities	(1,389,942)	(272,048)	(9,414)
Non-current liabilities	(275,528)	(203,732)	—
Total equity	1,020,222	640,338	38,818
Attributable to non-controlling interests	279,235	64,034	18,692

Summarised cash flow information for 2017:

	SGLD	Shenyang Lixiang	CDBC Agricultural
Operating	**144,954**	**597**	**(13,968)**
Investing	**26**	**(22)**	**5,662**
Financing	**(144,669)**	**7**	**—**
Net increase/(decrease) in cash and cash equivalents	**311**	**582**	**(8,306)**

(All amounts expressed in RMB'000 unless otherwise specified)

3. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Material partly-owned subsidiaries (continued)

Summarised cash flow information for 2016:

	SGLD	Shenyang Lixiang	CDBC Agricultural
Operating	339,087	105	(7,737)
Investing	8,819	(3)	54
Financing	(351,899)	—	3,200
Net (decrease)/increase in cash and cash equivalents	(3,993)	102	(4,483)

4. INVESTMENT IN JOINT VENTURES

	2017	2016
Unlisted shares	**99,225**	49,297

Details of the joint ventures are as follows:

Name	Place and date of establishment	Proportion of ownership interest attributable to the Group (%)		Effective equity interest attributable to the Group (%)		Particulars of registered capital	Principal activities
		2017	2016	**2017**	2016		
Beijing Guowan Real Estate Co., Ltd. (i)	PRC 31 October 2016	**50%**	50%	**50%**	50%	RMB500 million	Real estate
Beijing Guoyuan Agriculture Co., Ltd. (ii)	PRC 12 September 2017	**50%**	—	**50%**	—	RMB20 million	Agriculture
Nanjing Guofa Real Estate Co., Ltd. (iii)	PRC 27 November 2017	**49%**	—	**49%**	—	RMB50 million	Real estate

(i) In 2016, CDBC New Town and Beijing Vanke Enterprises Co. Ltd. ("Vanke BJ") entered into an agreement for the overall development of Mengtougou District Junzhuang Town Project, pursuant to which Beijing Guowan Real Estate Co., Ltd. ("Guowan") was established. As at 31 December 2017, the issued capital of Guowan was RMB100 million, which was equally contributed by both parties.

(ii) In 2017, CDBC Agricultural entered into an agreement for the overall development of Miyun District Mujiayu Town Qianliyuan Villiage Project, pursuant to which Beijing Guoyuan Agriculture Co., Ltd. ("Guoyuan") was established. As at 31 December 2017, the issued capital of Guoyuan was RMB11,136 thousand, which was equally subscribed by both parties.

(iii) In 2017, CDBC Nanjing and Mingfa Group Nanjing Real Estate Development Co., Ltd. ("Mingfa Group") entered into an agreement for the overall development of Wushang Land A project which located in Yuhua District Nanjing, pursuant to which Nanjing Guofa Real Estated Co,. Ltd. ("Guofa") was established. As at 31 December 2017, the issued capital of Guofa was RMB50 million, Mingfa Group contributed RMB25.5 million, and CDBC Nanjing contributed RMB24.5 million.

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENT IN JOINT VENTURES (continued)

Summarised financial information of the joint ventures, based on its IFRS financial statements, and the reconciliation to the carrying amount of the investment in the consolidated financial statements are set out below:

Year ended 31 December 2017

	Guoyuan	Guofa	Guowan	Total
Current assets	**5,140**	**309,498**	**41,833**	**623,733**
Non-current assets	**6,934**	**—**	**269,491**	**9,203**
Current liabilities	**(3,227)**	**(210,000)**	**(219,230)**	**(432,497)**
Non-current liabilities	**—**	**—**	**—**	**—**
Equity	**8,847**	**99,498**	**92,094**	**200,439**
Proportion of the Group's ownership	**50%**	**49%**	**50%**	**—**
Carrying amount of the investment	**4,424**	**48,754**	**46,047**	**99,225**

Summarised statement of profit or loss and other comprehensive income of the joint ventures:

	Guoyuan	Guofa	Guowan	Total
Revenue	**120**	**—**	**186**	**306**
Cost of sales	**(595)**	**—**	**—**	**(595)**
Administrative expenses	**(1,813)**	**(2)**	**(8,484)**	**(10,299)**
Finance cost	**—**	**—**	**—**	**—**
Loss before tax	**(2,288)**	**(2)**	**(8,298)**	**(10,588)**
Income tax expense	**—**	**—**	**1,798**	**1,798**
Net loss for the year	**(2,288)**	**(2)**	**(6,500)**	**(8,790)**
Total comprehensive loss for the year	**(2,288)**	**(2)**	**(6,500)**	**(8,790)**
Group's share of loss for the year	**(1,144)**	**(1)**	**(3,250)**	**(4,395)**

Year ended 31 December 2016

	Guowan	CCJV	Total
Current assets	228,541	—	228,541
Non-current assets	468	—	468
Current liabilities	(130,414)	—	(130,414)
Non-current liabilities	—	—	—
Equity	98,595	—	98,595
Proportion of the Group's ownership	50%	—	50%
Carrying amount of the investment	49,297	—	49,297

(All amounts expressed in RMB'000 unless otherwise specified)

4. INVESTMENT IN JOINT VENTURES (continued)

Year ended 31 December 2016 (continued)

Summarised statement of profit or loss and other comprehensive income of the joint ventures:

	Guowan	CCJV	Total
Administrative expenses	(1,874)	(259)	(2,133)
Finance cost	—	(744)	(744)
Loss before tax	(1,874)	(1,003)	(2,877)
Income tax expense	469	—	469
Net loss for the year	(1,405)	(1,003)	(2,408)
Total comprehensive loss for the year	(1,405)	(1,003)	(2,408)
Group's share of loss for the year	(703)	(501)	(1,204)

5. REVENUE

	Notes	2017	2016
Land development	(a)	**880,626**	21,862
Urbanization development	(b)	**267,777**	205,841
Sale of goods		**3,391**	20,009
Less: Tax and surcharges		**—**	(3,140)
		1,151,794	244,572

(a) During the year ended 31 December 2017, all the revenue of RMB881 million (2016: RMB22 million) in respect of the Group's land development was recognized. Of which, RMB287,163 thousand (2016: nil) was derived from the development of land infrastructure and RMB593,463 thousand (2016: RMB22 million) was derived from the construction of ancillary public facilities based on the proceeds allocated between the completed land infrastructure and the progress of the completion of the ancillary public facilities.

(b) The revenue from urbanization development mainly consist of interests from loans and receivables of RMB241,127 thousand (2016: RMB193,729 thousand), dividends from investment funds of RMB14,646 thousand (2016: RMB6,804 thousand) and fees from assets management of RMB12,004 thousand (2016: RMB5,308 thousand).

(All amounts expressed in RMB'000 unless otherwise specified)

5. REVENUE (continued)

The detailed information of revenue from urbanization development is as follows:

	2017	2016
Interest income		
CDB Yuhua Project	**71,839**	64,235
Danyang Public Private Partnership	**14,778**	24,878
Danyang Xinmeng River Project	**—**	17,576
Yangzhou Airport New Town Project	**36,786**	26,001
Zhengzhou Heizhuzhuang Urban Village Reconstruction Project	**—**	19,443
Danyang Zhongbei College Development Project	**25,134**	7,382
Qinhuangdao Project	**14,067**	5,451
Changzhou New-Tech Economic Development Zone	**25,835**	2,371
Zhenjiang Hi-tech District Affordable Housing Project	**13,399**	5,236
Others	**39,289**	21,156
Dividend income		
CDB (Beijing) — BOCOMM New-Type Urbanization Development Fund	**14,646**	6,804
Fee from assets management	**12,004**	5,308
	267,777	205,841

(All amounts expressed in RMB'000 unless otherwise specified)

6. OTHER INCOME AND OTHER EXPENSES

Other income

	2017	2016
Interest income from bank deposits	**35,105**	34,816
Net fair value (loss)/gain on financial assets/liabilities at fair value through profit or loss	**(3,909)**	10,184
Gain on wealth management products	**31,357**	—
Gain on disposal of property, plant and equipments	**476**	—
Others	**17,473**	13,516
	80,502	58,516

Other expenses

	2017	2016
Bank charges	**121**	97
Net loss on disposal of prepaid land lease payment, property, plant and equipments	**—**	38,417
Write-off of other receivables	**38,679**	13,146
Foreign exchange loss, net	**9,615**	4,179
Others	**515**	1,719
	48,930	57,558

(All amounts expressed in RMB'000 unless otherwise specified)

7. EXPENSES BY NATURE

	2017	2016
Cost of land development	**384,468**	29,099
Cost of goods sold	**6,778**	17,065
Depreciation of property, plant and equipment	**1,486**	2,477
Amortisation of prepaid land lease payments	**157**	377
Audit fees and non-audit fees	**7,499**	5,710
Audit fees		
— Auditor of the Company	**3,800**	4,150
— Other auditors	**2,871**	359
Non-audit fees	**—**	—
— Auditor of the Company	**—**	—
— Other auditors	**827**	1,201
Employee benefits	**63,072**	51,292
Utility expenses	**755**	930
Advertising	**875**	801
Rental expense	**16,491**	12,439
Property management service expenses	**3,821**	7,774
Intermediary and professional service charges	**11,155**	24,150
Other expenses	**20,454**	20,257
Total cost of sales, selling and administrative expenses	**517,010**	172,371

(All amounts expressed in RMB'000 unless otherwise specified)

8. FINANCE COSTS

	2017	2016
Interest on bank and other borrowings	**17,387**	26,138
Interest on senior guaranteed notes	**74,994**	75,406
Interests attributable to other interest holders of structured entities (note 3b)	**8,741**	3,051
	101,122	104,595
Less: Interest capitalised	**(1,977)**	—
	99,145	104,595

The borrowing costs have been capitalised at a weighted average rate of 4.88% per annum for the year ended 31 December 2017 (2016: nil).

9. GAIN ON DISPOSAL OF A JOINT VENTURE/ASSETS AND LIABILITIES RELATING TO DISCONTINUED OPERATIONS

For the year ended 31 December 2016

In 2016, CDBC Changchun, a wholly-owned subsidiary of the Group, entered into an agreement with CCJV and Changchun Kaida, a subsidiary of the Changchun Committee, to sell its 50% equity interest of CCJV to Changchun Kaida for a total consideration of RMB113,538 thousand, of which RMB110,133 thousand will be recognised as a loan and will be repaid five years later. CDBC Changchun will receive annual interest of 10% pre-tax on its uncollected considerations from Changchun Kaida during the period. As a result, the 50% equity interest in CCJV was derecognised and a loan and receivable of RMB110,133 thousand with an annual interest rate of 10% pre-tax was recognised. CCJV is no longer a joint venture thereafter.

In February 2016, with the consent of SREI, Shenyang Lixiang, the Company, SREI and Shenyang Lake Malaren Country Club Co., Ltd. ("SY Club") entered into a supplementary agreement based on the Disposal Master Agreement to dispose of Shenyang disposal assets to SY Club for a consideration of RMB154,652,555. The disposal consideration of RMB2,069,832,594 set out in the Disposal Master Agreement will therefore be reduced by RMB154,652,555 as a result.

(All amounts expressed in RMB'000 unless otherwise specified)

9. GAIN ON DISPOSAL OF A JOINT VENTURE/ASSETS AND LIABILITIES RELATING TO DISCONTINUED OPERATIONS (continued)

In April 2016, the Company entered into an agreement regarding the disposal of a number of Disposal Assets with SRE and SREI, certain Disposal Assets would be disposed of to SRE (the "Shanghai Disposal Assets"). The consideration was RMB238,248,140, which was consistent with the consideration amount for the Shanghai Disposal Assets set out in the Disposal Master Agreement. As the relevant conditions have been satisfied, the Disposal Assets are derecognised from the statement of financial position. As a result, a disposal gain of RMB322,971 thousand before tax was recognised for Shanghai Disposal Assets. This completes the disposal of all the Disposal Assets. As at 31 December 2016, the total consideration amounting to RMB238,248,140 was fully received.

As at the date of disposal	**Proportion share of CCJV**	**Assets and liabilities relating to discontinued operations**
Net assets disposed of:		
Property, plant and equipment	389	1,546,184
Completed investment properties	—	55,039
Investment properties	—	698,000
Prepaid land lease payments — current	—	418,200
Properties under development for sale	—	1,821,419
Other assets	18	66,631
Prepaid land lease payments — non-current	—	146,851
Inventories	—	1,867
Prepayments	50,000	39,319
Other receivables	1,037,897	518,022
Trade receivables	—	15,044
Cash and bank balances	150,192	56,232
Interest-bearing bank and other borrowings	(1,050,000)	(664,584)
Deferred income from sale of golf club membership	—	(441,300)
Trade payables	—	(510,241)
Other payables and accruals	(28,402)	(3,331,431)
Advance from customers	(150,000)	(424,467)
Current income tax liability	—	(4,665)
	10,094	6,120
Non-controlling interests	—	38,503
Gain on disposal of a joint venture/assets and liabilities relating to discontinued operations before tax	103,444	348,277
Consideration	113,538	392,901

Gain on disposal of assets and liabilities relating to discontinued operations after tax was RMB301,277 thousand after deducting income tax of RMB47,000 thousand.

(All amounts expressed in RMB'000 unless otherwise specified)

9. GAIN ON DISPOSAL OF A JOINT VENTURE/ASSETS AND LIABILITIES RELATING TO DISCONTINUED OPERATIONS (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a joint venture/assets and liabilities relating to discontinued operations is as follows:

Year ended 31 December 2016	CCJV	Assets and liabilities relating to discontinued operations
Cash received	—	238,248
Cash and bank balances disposed of	—	(56,232)
Net inflow of cash and cash equivalents in respect of the disposal of a joint venture/assets and liabilities relating to discontinued operations	—	182,016

10. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

The Company is a tax-exempted company incorporated in the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

The principal operating subsidiaries of the Company were subject to income tax at the rate of 25% on their taxable income according to the Income Tax Law of the PRC.

Mainland China Withholding Tax

Pursuant to the laws governing the PRC Corporate Income Tax, 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. The Group is therefore liable for withholding taxes on dividends distributed and remitted out of PRC by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Pursuant to the laws governing the PRC Corporate Income Tax, a member of the Group, who is not a tax resident in the jurisdiction of the PRC, is subject to withholding tax at 10% on the incomes from Mainland China, such as interest income and gains from disposal of equity investments. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group determined that such withholding tax is an income tax in the scope of IAS 12 and has recognised such withholding taxes as a tax expense in the statement of profit or loss and other comprehensive income.

(All amounts expressed in RMB'000 unless otherwise specified)

10. INCOME TAX (continued)

Mainland China Withholding Tax (continued)

The major components of income tax are:

	2017	2016
Income tax charge/(credit):		
Current income tax	**159,511**	2,176
Deferred tax	**(33,434)**	(11,273)
Withholding tax	**17,375**	12,748
Income tax charge as reported in profit or loss	**143,452**	3,651

A reconciliation between tax charge/(credit) and the product of accounting profit multiplied by the Group's applicable income tax rate is as follows:

Year ended 31 December 2017

	CNTD and BVI companies		**Mainland China**		**Total**	
Profit before tax	**78,025**		**484,791**		**562,816**	
Tax at the statutory tax rate	**19,506**	**25.0%**	**121,198**	**25.0%**	**140,704**	**25.0%**
Effect of subsidiaries applying non-statutory tax rate	**(19,506)**	**–25.0%**	**(9)**	**0.0%**	**(19,515)**	**–3.5%**
Non-deductible expenses for tax purposes	**—**	**—**	**1,030**	**0.2%**	**1,030**	**0.2%**
Adjustments in respect of current tax of previous periods	**—**	**—**	**3,823**	**0.8%**	**3,823**	**0.7%**
Utilisation of previously unrecognised of tax losses	**—**	**—**	**(3,740)**	**0.1%**	**(3,740)**	**0.1%**
Unrecognised tax losses	**—**	**—**	**3,775**	**–0.1%**	**3,775**	**–0.1%**
Effect of withholding tax*	**17,375**	**22.3%**	**—**	**—**	**17,375**	**3.1%**
Income tax as reported in the statement of profit or loss and other comprehensive income	**17,375**	**22.3%**	**126,077**	**26.0%**	**143,452**	**25.5%**

(All amounts expressed in RMB'000 unless otherwise specified)

10. INCOME TAX (continued)

Mainland China Withholding Tax (continued)

Year ended 31 December 2016

	CNTD and BVI companies		Mainland China		Total	
Profit before tax	17,752		53,052		70,804	
Tax at the statutory tax rate	4,438	25.0%	13,263	25.0%	17,701	25.0%
Effect of subsidiaries applying non-statutory tax rate	(4,438)	–25.0%	(574)	–1.1%	(5,012)	–7.1%
Non-deductible expenses for tax purposes	—	—	3,780	7.1%	3,780	5.3%
Income not subject to tax	—	—	(24,884)	–46.9%	(24,884)	–35.1%
Utilisation of previously unrecognised of tax losses	—	—	(5,962)	–11.2%	(5,962)	–8.4%
Unrecognised tax losses	—	—	5,280	10.0%	5,280	7.5%
Effect of withholding tax*	12,748	71.8%	—	—	12,748	18.0%
Income tax as reported in the statement of profit or loss and other comprehensive income	12,748	71.8%	(9,097)	–17.1%	3,651	5.2%

* During the year ended 31 December 2017, the incomes from Mainland China of non-resident enterprises amounted to RMB173,748 thousand (2016: RMB127,475 thousand) therefore withholding tax expense was RMB17,375 thousand according to 10% withholding tax rate (2016: RMB12,748 thousand).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities when the deferred tax assets and liabilities relate to income taxes, if any, levied by the same tax authority and the same taxable entity.

(All amounts expressed in RMB'000 unless otherwise specified)

10. INCOME TAX (continued)

Deferred income tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2017	2016	**2017**	2016
Deferred tax assets/(liabilities)				
Fair value change of AFS financial assets	**238**	—	**—**	—
Fair value change of financial assets at fair value through profit or loss	**(1,583)**	(2,560)	**977**	(2,560)
Temporary differences of land development for sale	**86,510**	32,608	**53,902**	—
Accrued expenses	**1,752**	1,504	**248**	(2,922)
Losses available for offsetting against future taxable income	**—**	31,363	**(31,363)**	16,755
Provision for impairment of receivables	**14,219**	4,549	**9,670**	—
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	**(21,151)**	(21,151)	**—**	—
Net deferred tax assets	**79,985**	46,313		
Deferred income tax credit			**33,434**	11,273

Deferred tax movements:

	2017	2016
As of 1 January	**46,313**	35,040
Tax income during the period recognised in OCI	**238**	—
Tax income recognised in profit or loss	**33,434**	11,273
As at 31 December	**79,985**	46,313
Deferred tax assets	**102,718**	70,023
Deferred tax liabilities	**(22,733)**	(23,710)

(All amounts expressed in RMB'000 unless otherwise specified)

11. DIVIDENDS

The Board of Directors proposed a final dividend of HK$0.0116 per ordinary share for the year ended 31 December 2017 (2016: nil). The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the parent for the years ended 31 December 2017 and 2016 includes a loss of RMB12,608 thousand and a profit of RMB876,676 thousand, respectively, which have been dealt with in the financial statements of the Company.

13. EARNINGS PER SHARE

The calculations of the basic earnings per share amounts are based on the profit attributable to ordinary equity holders of the parent for the years ended 31 December 2017 and 2016.

The following reflects the earnings and share data used in the basic and diluted earnings per share calculations:

	2017	2016
Profit attributable to ordinary equity holders of the parent:		
Continuing operations	**335,614**	104,544
Discontinued operations	**—**	218,111
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share	**335,614**	322,654
Weighted average number of ordinary shares used to calculate the basic and diluted earnings per share	**9,741,230,583**	9,846,119,747
Basic and diluted earnings per share (RMB)	**0.0345**	0.0328
Basic and diluted earnings per share from continuing operations (RMB)	**0.0345**	0.0106
Basic and diluted earnings per share from discontinued operations (RMB)	**—**	0.0222

Pursuant to the Company's circular dated 21 December 2016 in relation to the proposed voluntary delisting from the Official List of the SGX-ST, 119,873,330 shares had been validly tendered and cancelled on 14 February 2017.

(All amounts expressed in RMB'000 unless otherwise specified)

14. DISCONTINUED OPERATIONS

In October 2013, the Company entered into an agreement with SREI, pursuant to which the Company has conditionally agreed to sell and SREI has conditionally agreed to purchase, within 24 months upon completion of the Subscription, specified assets and liabilities not relating to the Group's main principal business of planning and development of new town projects in Mainland China, the Disposal Assets, for a total consideration of RMB2,069,832,594 in the form of cash payment in instalments subject to the terms and conditions contained therein (the "Disposal"). Therefore, the Company classified the specified assets and liabilities not relating to the Group's main principle business as held for sale, and excluded the operating results and disclosed separating as discontinued operations. All the Disposal Assets were completed in 2016 and the discontinued operations were derecognised from the Group's financial statements.

The financial results of discontinued operations for the following periods are set out below:

	Notes	Year ended 31 December 2016
Revenue	14.a	116,612
Cost of sales		(60,745)
Gross profit		55,867
Other income		907
Selling and distribution costs		(11,542)
Administrative expenses		(44,988)
Other expenses		(707)
Operating loss from discontinued operations		(463)
Finance costs	14.b	(33,602)
Loss before tax from discontinued operations		(34,065)
Income tax		—
Loss for the period from discontinued operations		(34,065)
Gain after tax on disposal of assets and liabilities relating to discontinued operations	9	301,277
Total profit for the year from the discontinued operations		267,212

(All amounts expressed in RMB'000 unless otherwise specified)

14. DISCONTINUED OPERATIONS (continued)

a. The revenue of discontinued operations are as follows:

	Year ended 31 December 2016
Property development	53,867
Hotel operations	12,943
Golf operations	15,729
Investment property leasing	10,333
Hospital operations	33,902
Others	—
Less: Business tax and surcharges	(10,162)
Total	116,612

b. The finance costs of discontinued operations are as follows:

	Year ended 31 December 2016
Interest on bank and other borrowings wholly repayable within five years	41,167
Less: Interest capitalised	(7,565)
	33,602

c. The net cash flows related to the Disposal Assets are as follows:

	Year ended 31 December 2016
Operating	612,647
Investing	(11,418)
Financing	(556,216)
Net cash inflow	45,013

Earnings per share (RMB):	Note	Year ended 31 December 2016
Basic and diluted profit for the year from discontinued operations	13	0.0222

(All amounts expressed in RMB'000 unless otherwise specified)

15. LOANS AND RECEIVABLES

	2017	2016
CDB Yuhua Project	**490,000**	490,000
Danyang Public Private Partnership	**—**	200,000
Danyang Xinmeng River Project	**—**	—
Danyang Zhongbei College Development Project	**—**	300,000
Zhenjiang Hi-tech District Affordable Housing Project	**—**	200,000
Changzhou New-Tech Economic Development Zone	**—**	300,000
Yangzhou Airport New Town Project	**300,000**	300,000
Qinghuangdao Project	**150,587**	150,868
Yangzhou Hanjiang District Infrastructure Construction Project	**300,000**	—
Jiangsu Suqian Yanghe New District Packaging Industry Park Construction Project	**100,000**	—
Yangzhou Xincheng River Hanjiang Branch Region Integrated Renovation Project	**200,000**	—
Yanzhou Industrial Park Project	**190,000**	—
Gaoyou PPP Project	**68,150**	—
Yangzhou River Banks Project	**150,000**	—
Other loans	**136,409**	126,409
	2,085,146	2,067,277
Amounts due in next 12 months classified as current assets	**790,000**	1,000,000
Amounts classified as non-current assets	**1,295,146**	1,067,277

As at 31 December 2017, the Group is entitled to fixed returns ranging from 7.98% to 17.07% (2016: 7.98% to 17.07%) before tax for the loans and receivables investments. Certain contractual arrangements of these investments are equity investments in legal form but debt securities in substance.

(All amounts expressed in RMB'000 unless otherwise specified)

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
Unlisted equity investments		
— Cost	**36,000**	32,000
— Fair value change	**(951)**	—
	35,049	32,000

In July 2015, CDBC Nanjing, a subsidiary of the Group, entered into an agreement to purchase a 13.89% equity interest in Jiangsu Hong-tu Software Venture Capital Investment Ltd for RMB32 million with a contingent consideration up to RMB5.5 million. In November 2017, CDBC Nanjing paid the contingent consideration of RMB4 million according to the terms and conditions agreed in the share purchase agreement.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2017	2016
Financial assets at fair value through profit or loss			
— Funds	(a)	**83,600**	98,610
— Wealth Management Products	(b)	**458,000**	720,063
		541,600	818,673

(a) In June 2015, CDBC New Town, a wholly-owned subsidiary of the Group, entered into a limited partnership agreement in relation to an investment partnership, CDB (Beijing) — BOCOMM New-Type Urbanization Development Fund with a fund size of RMB10 billion.

As a junior-tranche limited partner, CDBC New Town is committed to contributing at a 1.5% capital ratio to the partnership, which amounted to RMB150 million. As at 31 December 2017, the principle amount invested to the partnership which in turn invested in various debt and equity investments is RMB74.349 million (2016: RMB85.449 million). The management of the Group designated such investments at fair value through profit or loss. A fair value loss of RMB4 million was recognised during 2017.

(b) In 2017, CDBC New Town purchased wealth management products issued by Shanghai Pudong Development Bank as part of cash management for the short term, amounting to RMB458 million as at 31 December 2017.

In 2016, CDBC New Town purchased wealth management products issued by Industrial and Commercial Bank of China and Bank of Communications as part of cash management for the short term, amounting to RMB720 million as at 31 December 2016.

(All amounts expressed in RMB'000 unless otherwise specified)

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
Original cost				
At 1 January 2016	54,690	7,971	13,132	75,793
Additions	—	757	—	757
Acquisition of subsidiaries	—	773	238	1,011
Disposals	(41,561)	(214)	(2,126)	(43,901)
At 31 December 2016	13,129	9,287	11,244	33,660
Additions	2,733	1,517	377	4,627
Acquisition of subsidiaries	—	—	—	—
Disposals	—	(602)	(2,539)	(3,141)
At 31 December 2017	15,862	10,202	9,082	35,146
Accumulated depreciation				
At 1 January 2016	16,925	6,961	12,115	36,001
Provided during the year	1,783	574	165	2,522
Acquisition of subsidiaries	—	191	82	273
Disposals	(12,261)	(301)	(1,806)	(14,368)
At 31 December 2016	6,447	7,425	10,556	24,428
Provided during the year	485	867	134	1,486
Acquisition of subsidiaries	—	—	—	—
Disposals	—	(301)	(2,390)	(2,691)
At 31 December 2017	6,932	7,991	8,300	23,223
Impairment				
At 1 January 2016	—	—	—	—
Recognised during the year	—	—	—	—
At 31 December 2016	—	—	—	—
Recognised during the year	—	—	—	—
At 31 December 2017	—	—	—	—
Net carrying amount				
At 1 January 2016	37,765	1,010	1,017	39,792
At 31 December 2016	6,682	1,862	688	9,232
At 31 December 2017	8,930	2,211	782	11,923

(All amounts expressed in RMB'000 unless otherwise specified)

19. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent prepaid operating lease payments and their movements are analysed below:

	2017	2016
In Mainland China, held on:		
— Leases of between 10 and 50 years	**2,395**	2,552

	2017	2016
At beginning of year	**2,552**	11,657
Disposed	**—**	(8,728)
Amortisation charged to profit or loss	**(157)**	(377)
At the end of the year	**2,395**	2,552

20. LAND DEVELOPMENT FOR SALE

	2017	2016
At lower of cost and net realisable value:		
Mainland China	**1,296,166**	1,562,429

Land development for sale represents the cost of land development within the districts of the new town development projects. Though the Group does not have ownership title or land use rights 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 in those new town development projects. When the land plots are sold by the local governments, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales (including related public utility fees, if any).

Land development for sale is expected to be realised in the normal operating cycle, which is longer than twelve months.

(All amounts expressed in RMB'000 unless otherwise specified)

21. PREPAYMENTS

	Notes	2017	2016
Prepayments, non-current	(a)	**200,000**	—
Prepayments, current	(b)	**9,446**	3,068

(a) On 28 November 2017, CDBC New Town, a wholly-owned subsidiary of the Company, Motorola (Beijing) Mobility Technologies Company (the "Vendor") and Lenovo Mobile Communication Software (Wuhan) Co., Ltd. (the "Target Company") entered into the Equity Interest Transfer and Framework Agreement (the "Framework Agreement"), pursuant to which CDBC New Town has agreed to acquire the entire equity interest held by the Vendor in the Target Company, at a cash consideration of RMB300 million. According to the Framework Agreement, the transaction should be completed within 70 days after the Framework Agreement was signed. On 7 February 2018, CDBC New Town, the Vendor and the Target Company entered into a supplemental agreement to extend the execution period to 190 days. The major purpose of the equity transaction for the Group is to acquire a commercial property owned by the Target Company. Pursuant to the Framework Agreement, CDBC New Town has also agreed to take assignment of the target liabilities incurred by the Target Company in the amount of RMB620 million and CDBC New Town has agreed to be responsible for the construction costs related to the of the commercial property of Target Company in the amount of RMB320 million.

As at the end of 2017, CDBC New Town has prepaid RMB200 million for the equity transaction according to the payment terms of the Framework Agreement.

(b) The prepayments as at 31 December 2017 mainly included a prepayment of RMB1,537 thousand for rental and property management expenses for the Group's headquarters, a prepayment of RMB1,985 thousand for SGLD's renovation costs and a prepayment of RMB4,060 thousand relating to revolving loan facility fee.

The prepayments as at 31 December 2016 mainly included a prepayment of RMB3,068 thousand for rental and property management expenses for the Group's headquarters.

(All amounts expressed in RMB'000 unless otherwise specified)

22. OTHER RECEIVABLES

	Notes	**2017**	2016
Other receivables			
Net disposal consideration:			
— Wuxi Project		**59,940**	59,940
— Shenyang Project	(i)	**—**	154,653
— Procurement and its subsidiaries	(i)	**—**	21,592
Balances due from:			
— Wuxi Project	(i)	**43,977**	336,656
— Shanghai Project	(i)	**—**	208,471
— Shenyang Project	(i)	**—**	33,743
Interests receivable from loans and receivables		**71,778**	72,639
Due from joint ventures	(ii)	**309,634**	94,214
Due from SREI	(i)	**227,703**	—
Deposits	(iii)	**133,380**	—
Balances due from entities disposed of	(i)	**24,384**	43,867
Others	(i*)	**23,721**	44,470
Other receivables, net		**894,517**	1,070,245

(i) The Group entered into a series of agreements with SREI to settle the outstanding balances regarding the Disposal Assets in 2017. As of 31 December 2017, the remaining balance due from SREI is the result of the offset with advances received for the settlement of the Disposal Assets which was amounted to RMB538,975 thousand as at 31 December 2016.

* The receivable of RMB22,265 thousand also regarding the Disposal Assets was included in 'Others' as at 31 December 2016 which was also included into the agreements to settle the outstanding balances.

(ii) As at 31 December 2017, the balance due from joint ventures included shareholder's loans of RMB210 million and RMB99.45 million, provided by CDBC Nanjing to Guofa and by CDBC New Town to Guowan respectively to facilitate their daily operating, which are interest free and should be repayable on demand.

(iii) In 2017, CDBC New Town prepaid RMB133.38 million to Chengdu Rural Property Exchange as bid bond for the Lushan reconstruction programs in Qionglai City.

(All amounts expressed in RMB'000 unless otherwise specified)

23. TRADE RECEIVABLES

	2017	2016
Receivables from land development for sale	**1,272,295**	45,218
Others	**3,521**	17,190
Trade receivables, net	**1,275,816**	62,408

An aging analysis of the trade receivables is as follows:

	2017		
	Trade receivables	**Less: allowance for impairment**	**Trade receivables, net**
Within 6 months	**1,234,197**	**—**	**1,234,197**
6 months to 1 year	**—**	**—**	**—**
1 year to 2 years	**3,521**	**—**	**3,521**
2 years to 3 years	**—**	**—**	**—**
Over 3 years	**38,098**	**—**	**38,098**
	1,275,816	**—**	**1,275,816**

	2016		
	Trade receivables	Less: allowance for impairment	Trade receivables, net
Within 6 months	17,190	—	17,190
6 months to 1 year	—	—	—
1 year to 2 years	—	—	—
2 years to 3 years	13,000	—	13,000
Over 3 years	32,218	—	32,218
	62,408	—	62,408

The above balances are unsecured and interest-free.

24. CASH AND BANK BALANCES

	2017	2016
Cash on hand	**61**	48
Short-term deposits with an original maturity less than 3 months	**295,004**	946,609
Cash at banks	**1,237,200**	1,402,740
Cash and cash equivalents	**1,532,265**	2,349,397
Restricted bank deposits	**—**	—
	1,532,265	2,349,397

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

There were no restricted bank deposits as at 31 December 2017 (2016: nil), which were pledged for bank borrowings.

The carrying amounts of the cash and deposits which are denominated in the following currencies are set out below:

RMB equivalent of the following currencies:	**2017**	2016
SGD	**19**	248
RMB	**1,342,152**	1,824,441
HKD	**3,630**	4,361
USD	**186,464**	520,347
	1,532,265	2,349,397

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.

25. SHARE CAPITAL

Group and Company

	2017		2016	
	Number of shares (thousand)	**Amount***	Number of shares (thousand)	Amount*
Ordinary shares authorised	**20,000,000**		20,000,000	
Ordinary shares issued and fully paid:				
Share capital at the end of the year	**9,726,246**	**4,070,201**	9,846,120	4,110,841

* There is no par value for the shares of the Company. In 2007, there was a share split whereby one existing share was split into 75,000 shares.

The holders of ordinary shares are entitled to receive dividends as and when they are declared by the Board of Directors and approved by the shareholders. Each ordinary share carries one vote without restrictions.

(All amounts expressed in RMB'000 unless otherwise specified)

26. OTHER RESERVES

Group

	Imputed equity contribution upon reorganisation	Capital contribution received upon the repurchase of convertible bonds	Others	Total
At 1 January 2016, 31 December 2016	224,032	163,433	191,805	579,270
Capital withdrawal by non-controlling interests	—	—	(10,733)	(10,733)
Share the reserve of a joint venture	—	—	24,255	24,255
At 31 December 2017	224,032	163,433	205,327	592,792

Company

	Imputed equity contribution upon reorganisation	Capital contribution received upon the repurchase of convertible bonds	Others	Total
At 1 January 2016, 31 December 2016 and 2017	1,557,445	163,433	191,805	1,912,683

All other reserves are as stated in the consolidated statement of changes in equity.

Nature and purpose of other reserves

Imputed equity contribution upon reorganisation

The Company applied the pooling of interest method to account for the business combination under common control that occurred on 20 December 2006. This therefore represents the difference between the Company's share of net assets of the Group and the sum of share capital and retained earnings that should be recorded as a result of applying the pooling of interest method.

Capital contribution received upon the repurchase of convertible bonds

This represents the capital contribution from SREI in connection with the Company's repurchase of convertible bonds.

Other reserves

These represent the fair value change of the equity component of certain convertible bonds issued by the Company upon their repurchase of RMB579,270 thousand, share of the equity change from the joint venture of the Guofa other than comprehensive income of RMB24,255 thousand and the equity transaction with the non-controlling interest of Shenyang Lixiang of RMB10,733 thousand.

(All amounts expressed in RMB'000 unless otherwise specified)

27. SENIOR GUARANTEED NOTES

In May 2015, Finance I, a wholly-owned subsidiary of the Company, completed the issuance of senior guaranteed notes of RMB1.3 billion with a maturity date of 6 May 2018. The net proceeds (after deducting underwriting commissions and certain other expenses) amounted to RMB1.29 billion, intended for general corporate purposes. The senior guaranteed notes bore interest at 5.5% per annum. The senior guaranteed notes were guaranteed by the Company with credit enhancement measures, such as the keepwell deed, liquidity support and deed of equity interest purchase undertaking from CDB Capital.

The movements of the carrying amounts of senior guaranteed notes during the year ended 31 December 2017 were as follows:

	2017	2016
At the beginning of year	**1,304,973**	1,301,460
Net proceeds of senior guaranteed notes issued	**—**	—
Accrued interest expenses	**74,994**	75,406
Interest payment	**(71,304)**	(71,893)
At the end of year	**1,308,663**	1,304,973
Accrued coupon interest (Note 31)	**10,772**	10,772
Categorised as current liabilities	**1,297,891**	—
Categorised as non-current liabilities	**—**	1,294,201

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

Details of interest-bearing bank and other borrowings which were all denominated in RMB are as follows:

	2017	2016
Bank and other borrowings — guaranteed	**348,938**	325,528
Other borrowings — unsecured and unguaranteed	**—**	470,950
	348,938	796,478

The interest-bearing bank and other borrowings are repayable as follows:

	2017	2016
Within 6 months	**35,000**	505,950
6 months to 9 months	**—**	—
9 months to 12 months	**15,000**	15,000
1 year to 2 years	**85,000**	50,000
2 years to 5 years	**213,938**	225,528
Over 5 years	**—**	—
	348,938	796,478

The Group's interest-bearing bank borrowings in RMB bore interest at floating rates ranging from 4.41% to 5.09% per annum for the year ended 31 December 2017 (2016: from 4.41% to 5.09% per annum).

(All amounts expressed in RMB'000 unless otherwise specified)

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

(continued)

Bank and other borrowings — guaranteed

As at 31 December 2017, bank borrowings of RMB348,938 thousand were guaranteed by CDB Capital (2016: RMB325,528 thousand).

Other borrowings — unsecured and unguaranteed

The Group's unsecured other borrowing of RMB320,950 thousand from a related party CDBIH had been fully repaid in 2017 (2016: RMB320,950 thousand). The other borrowing of RMB150,000 thousand which is an interest-free loan from Shanghai Luodian Old Town Real Estate Limited had been fully repaid in 2017 (2016: RMB150,000 thousand).

29. DEFERRED REVENUE

	Note	**2017**	2016
Deferred revenue arising from:			
Land development for sale	(i)	**706,365**	352,794

Note:

(i) The deferred revenue arising from land development for sale represents the portion of amounts received or receivable from the land authorities as a result of the sales of parcels of land developed by the Group that are not yet recognised as revenue, because the developments of the ancillary public facilities of land sold are still in progress. The amounts received or receivable are non-refundable unless the Group fails to complete the development work. The deferred revenue is classified as a current liability as the remaining development work is expected to be provided within the normal operating cycle.

30. TRADE PAYABLES

	2017	2016
Payable for land development for sale	**147,464**	105,814
Others	**137**	8,652
	147,601	114,466

An aging analysis of the Group's trade payables is as follows:

	2017	2016
Within 1 year	**45,640**	31,728
1 to 2 years	**23,213**	136
Over 2 years	**78,748**	82,602
	147,601	114,466

Trade payables are non-interest-bearing.

(All amounts expressed in RMB'000 unless otherwise specified)

31. OTHER PAYABLES AND ACCRUALS

	2017	2016
Payroll and welfare	**21,734**	13,400
Accrued coupon interest of senior guaranteed notes (Note 27)	**10,772**	10,772
Other taxes payable:		
Business tax payable	**12,715**	12,715
Property tax payable	**—**	31
Value-added tax payable	**1,628**	10,417
Other miscellaneous taxes	**2,370**	2,092
Receipts in excess of the Group's estimated share of land sales proceeds	**26,477**	26,477
Payable for expense incurred in application for National AAAA Tourist Attraction (Luodian New Town)	**2,412**	2,412
Amounts due to related parties (Note 34(a))	**440**	8,131
Payable for Intermediary and professional service charges	**5,262**	17,709
Balances due to entities disposed of	**69**	34,098
Payable for Wuxi Project	**42,250**	—
Payable for capital return of Shenyang Lixiang	**74,919**	—
Others	**86,912**	72,935
	287,960	211,189

Terms and conditions of the above liabilities:

- Payroll and welfare are normally settled within the next month.
- Other payables and other tax payables are non-interest-bearing and are normally settled when they are due or within one year.

32. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

As stated in Note 3b, the Group had consolidated two structured entities, the Jiangsu Fund and Jiangguang Fund. As at 31 December 2017, CIB as the senior-tranche limited partner and CDB Fund as the intermediate-tranche limited partner have contributed capital of RMB119 million to the Jiangsu Fund (2016: RMB119 million). Zhongmin Company as the sole senior-tranche limited partner has contributed capital of RMB70 million to the Jiangguang Fund (2016: nil). The interests held by other interest holders are presented as financial liabilities at fair value through profit or loss in the Group's financial statements.

(All amounts expressed in RMB'000 unless otherwise specified)

33. EMPLOYEE BENEFITS AND DIRECTORS' REMUNERATION

Employee benefits (including directors)

	2017	2016
Included in administrative expenses:		
Wages and salaries	**25,888**	26,180
Social welfare other than pensions	**4,783**	4,807
Pension — defined contribution plan	**4,016**	3,776
Staff welfare and bonuses	**28,385**	16,529
	63,072	51,292

Directors' remuneration

Details of the directors' remuneration are as follows:

	2017	2016
Fees	**1,278**	1,264
Other emoluments:		
Salaries, allowances and benefits in kind	**3,889**	3,265
Equity-settled share option expense	**—**	—
Pension scheme contributions	**—**	—
	5,167	4,529

The names of the directors and their remuneration for the year are set out below:

Year ended 31 December 2017	**Fees**	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total**
Li Yao Min	**—**	**693**	**—**	**693**
Liu Heqiang	**—**	**1,043**	**—**	**1,043**
Yang Meiyu	**—**	**701**	**—**	**701**
Ren Xiaowei	**—**	**759**	**—**	**759**
Shi Janson Bing*	**—**	**693**	**—**	**693**
Henry Tan Song Kok	**408**	**—**	**—**	**408**
Kong Siu Chee	**359**	**—**	**—**	**359**
Zhang Hao	**225**	**—**	**—**	**225**
E Hock Yap	**286**	**—**	**—**	**286**
	1,278	**3,889**	**—**	**5,167**

* Appointed as director in year 2016.

(All amounts expressed in RMB'000 unless otherwise specified)

33. EMPLOYEE BENEFITS AND DIRECTORS' REMUNERATION (continued)

Year ended 31 December 2016	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Li Yao Min	—	690	—	690
Liu Heqiang	—	802	—	802
Yang Meiyu	—	723	—	723
Ren Xiaowei	—	766	—	766
Shi Janson Bing*	—	284	—	284
Henry Tan Song Kok	402	—	—	402
Kong Siu Chee	354	—	—	354
Zhang Hao	224	—	—	224
E Hock Yap	284	—	—	284
	1,264	3,265	—	4,529

* Appointed as director in year 2016.

The directors have not waived any remuneration as listed above.

Five highest paid employees

The five highest paid employees of the Group during the year included one (2016: nil) director, details of whose remuneration are set out above. Details of the remuneration of the remaining four (2016: five) non-director, highest paid employees for the year are as follows:

	2017	2016
Salaries, allowances and benefits in kind	**4,756**	5,869
Pension scheme contributions	**89**	70
	4,845	5,939

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2017	2016
RMB500,001–RMB1,000,000	**1**	1
RMB1,000,001–RMB1,500,000	**2**	3
RMB1,500,001–RMB2,000,000	**1**	1
	4	5

(All amounts expressed in RMB'000 unless otherwise specified)

34. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

As mentioned in Note 1, in the opinion of the Directors, with the completion of the share subscription of CDBIH, the Company's ultimate holding company is CDB, which holds 54.98% of the issued share capital of the Company. As a result, SREI became the second largest shareholder of the Company with the ability to exert significant influence.

On 11 September 2015, SREI purchased 100% equity share of Black Eagle Asset Management Limited, the controlling shareholder of Black Eagle (Shanghai) and Black Eagle Advisors. Therefore, Black Eagle (Shanghai) and Black Eagle Advisors, as members of SREI group have become related parties of the Group since 11 September 2015.

(a) Amounts due to related parties

	2017	2016
Other payables		
Black Eagle (Shanghai)	**—**	5,000
CDBIH	**47**	2,933
CDB Capital	**393**	198
	440	8,131
Advances		
Black Eagle (Shanghai)	**—**	538,975
Other borrowing		
CDBIH	**—**	320,950
	440	868,056

(b) Amounts due from related parties

	2017	2016
Other receivables		
Guowan	**99,450**	94,214
SREI	**227,703**	451,579
Guoyuan	**184**	—
Guofa	**210,000**	—
Black Eagle (Shanghai)	**—**	10,530
Black Eagle Advisors	**—**	21,592
	537,337	577,915

(All amounts expressed in RMB'000 unless otherwise specified)

34. RELATED PARTY DISCLOSURES (continued)

(c) In addition to the transactions detailed in Notes 34(a) and 34(b) above, the Group had the following material transactions with related parties during the years ended 31 December 2017 and 2016:

	Notes	**2017**	2016
Financial guarantee from CDB Capital	(i)	**348,938**	325,528
Transfer of equity interest in CCJV to Changchun Kaida	9	**—**	110,133
Loans received from Black Eagle (Shanghai)	(ii)	**—**	(70,488)
Interest from Black Eagle (Shanghai)	(ii)	**—**	6,752
Loans (paid to)/borrow from CDBIH	(iii)	**(320,950)**	320,950
Interest to CDBIH	(iii)	**2,760**	2,837
Capital received from CDB Fund	(iv)	**—**	6,000
Interest distribute to CDB Fund	(iv)	**696**	265

Notes:

(i) During the year ended 31 December 2017, bank borrowings of RMB348,938 thousand were guaranteed by CDB Capital.

(ii) In 2015, to re-finance certain third party loans owed by the Disposal Assets, SGLD and Black Eagle (Shanghai) entered into a loan agreement to obtain financial support from SGLD. As a result, SGLD extended loans amounting to RMB70,488 thousand to Black Eagle (Shanghai), which had been fully paid in 2016 with an interest income of RMB6,752 thousand recognised during the year.

(iii) CDBIH provided the Company with a three-month loan of USD75 million in October 2016 with an annual interest rate of 2.5%. On 30 December 2016, the Company repaid USD28,734 thousand of loan principal. As of 31 December 2017, the Company fully paid USD46,266 thousand in principal to CDBIH (equivalent to RMB320,950 thousand) and had also recognised an interest payable of USD541 thousand (equivalent to RMB2,760 thousand).

(iv) On 2 March 2016, CDBC New Town and Sheng Qi IFM, wholly-owned subsidiaries of the Group, entered into a partnership agreement with CDB Fund regarding the establishment of the Jiangsu Fund. Pursuant to the agreement, the total capital amount was RMB5 billion, while the Company committed to contributing capital amounting to RMB1.05 billion in the capacity of a junior-tranche limited partner and manager, with CDB Fund as the intermediate-tranche limited partner. CDB Fund is a subsidiary of CDB capital, and is thus a related party of the Group. During the year ended 31 December 2017, Jiangsu Fund distributed interest of RMB696 thousand to CDB Fund (2016: RMB265 thousand).

(d) Compensation of key management personnel of the Group:

	2017	2016
Short-term employee benefits	**10,806**	10,398
Post-employment benefits	**89**	70
	10,895	10,468

Further details of directors' remuneration are included in Note 33.

(All amounts expressed in RMB'000 unless otherwise specified)

35. COMMITMENTS

1) Capital commitments

At the end of each reporting period, the Group mainly had capital commitments and commitments in respect of land development for sale and various investments as follows:

	2017	2016
Commitments in respect of land development for sale:		
Contracted, but not provided for	**355,314**	155,707
Authorised, but not contracted for	**4,613,843**	4,536,332
Commitments in respect of various investments		
Contracted, but not provided for	**1,402,051**	84,551
Authorised, but not contracted for	**—**	—
Commitments in respect of capital contribution		
Contracted, but not provided for	**204,432**	200,000
Authorised, but not contracted for	**—**	—
Total	**6,575,640**	4,976,590

The Group had significant commitments in respect of land development for sale as it had entered into two urbanization development projects in Shanghai and Shenyang and these commitments are quantified based on contracts, feasibility studies and detailed plans for the respective projects. As a result, the Group prepares cash flow budgets for major project companies annually and updates the cash flow budgets regularly.

At 31 December 2017, the Group had commitments in respect of various investments of RMB1,402,051 thousand (2016: RMB84,551 thousand).

At 31 December 2017, the Group had commitments in respect of capital contribution of 204,432 thousand (2016: RMB200,000 thousand).

2) Operating lease commitments

The Group has entered into operating leases on certain motor vehicles, office buildings and land. These leases have terms of between 1 and 20 years.

Future minimum rentals payables under non-cancellable operating leases are as follows:

	2017	2016
Within 1 year	**16,087**	15,973
1 to 2 years	**14,541**	16,371
2 to 5 years	**5,328**	20,335
Over 5 years	**—**	4,135
Total	**35,956**	56,814

36. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has the following operating segments. The Group's operational assets and operations are located in Mainland China.

- Land development segment, which provides land infrastructure development, construction of ancillary public facilities;
- Urbanization development segment, which is responsible for investments in new town projects; and
- Others segment, which includes the provision of other services.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to the operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

Land development revenue from the Group's share of proceeds from land sales (including related public utility fees, if any) by local authorities accounted for 100% in Shanghai (2016: 100% in Shanghai) of the revenue in the year ended 31 December 2017.

(All amounts expressed in RMB'000 unless otherwise specified)

36. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows:

	Year ended 31 December 2017				
	Land development	Urbanization development	Others	Adjustments and eliminations	Total
Segment results					
External sales	880,626	267,777	3,391	—	1,151,794
Intersegment sales	—	—	—	—	—
Total segment sales	880,626	267,777	3,391	—	1,151,794
Results					
Depreciation	(638)	(571)	(277)	—	(1,486)
Amortisation	(157)	(320)	(1)	—	(478)
Share of losses of joint ventures	(3,250)	—	(1,145)	—	(4,395)
Segment profit/(loss)	439,814	221,490	657	(99,145)[1]	562,816
Segment assets	2,588,800	4,257,560	1,149,746	102,718 [2]	8,098,824
Segment liabilities	1,017,429	246,590	67,215	2,162,376 [3]	3,493,610
Other disclosures					
Investment in joint ventures	94,801	—	4,424	—	99,225
Capital expenditure[4]	3,132	1,398	97	—	4,627

1 Profit/(loss) for each operating segment of continuing operations does not include finance costs of RMB99,145 thousand.

2 Assets in segments do not include deferred tax assets of RMB102,718 thousand as these assets are managed on a group basis.

3 Liabilities in segments do not include current income tax liabilities of RMB492,814 thousand, senior guaranteed notes of RMB1,297,891 thousand, interest-bearing bank loans and other borrowings of RMB348,938 thousand, and deferred tax liabilities of RMB22,733 thousand as these liabilities are managed on a group basis.

4 Capital expenditure of continuing operations is additions of property, plant and equipment of RMB4,627 thousand.

(All amounts expressed in RMB'000 unless otherwise specified)

36. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows: (continued)

	Year ended 31 December 2016				
	Land development	Urbanization development	Others	Adjustments and eliminations	Total
Segment results					
External sales	21,862	202,868	19,842	—	244,572
Intersegment sales	—	—	—	—	—
Total segment sales	21,862	202,868	19,842	—	244,572
Results					
Depreciation	(1,938)	(229)	(310)	—	(2,477)
Amortisation	(377)	(320)	—	—	(697)
Share of loss of a joint venture	(703)	—	(501)	—	(1,204)
Segment (loss)/profit	(64,191)	163,824	75,766	(104,595)[1]	70,804
Segment assets	2,027,080	3,544,264	2,470,604	70,023 [2]	8,111,971
Segment liabilities	1,080,585	178,964	76,426	2,498,129 [3]	3,834,104
Other disclosures					
Investment in a joint venture	49,297	—	—	—	49,297
Capital expenditure[4]	3	669	85	—	757

1 Profit/(loss) for each operating segment of continuing operations does not include finance costs of RMB104,595 thousand.

2 Assets in segments do not include deferred tax assets of RMB70,023 thousand as these assets are managed on a group basis.

3 Liabilities in segments do not include current income tax liabilities of RMB383,740 thousand, senior guaranteed notes of RMB1,294,201 thousand, interest-bearing bank loans and other borrowings of RMB796,478 thousand, and deferred tax liabilities of RMB23,710 thousand as these liabilities are managed on a group basis.

4 Capital expenditure of continuing operations is additions of property, plant and equipment of RMB757 thousand.

(All amounts expressed in RMB'000 unless otherwise specified)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise senior guaranteed notes, bank borrowings, and financial liabilities at fair value through profit and loss. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss, trade and other receivables, cash and short-term deposits, and trade and other payables which arose directly from its operations. The main risks faced by the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The Board of Directors reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, including repricing risk, basis risk, yield curve risk and option risk. The Group's main financial assets are cash and bank balances, loans and receivables with fixed rate, while main financial liabilities are interest-bearing loans and senior guaranteed notes with fixed rate.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit before tax. Fair value changes of the aforesaid financial instruments are not considered. The Group's equity is not affected, other than the consequential effect on the accumulated losses of the changes in profit before tax as disclosed below.

	2017	2016
Increase/(decrease) in interest rates (basis points)	**100/(100)**	100/(100)
Increase/(decrease) in profit before tax	**11,022/(11,022)**	27,612/(27,612)

Foreign currency risk arising from the rules and regulations of the foreign exchange control promulgated by the PRC government

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates, and restrictive measures were imposed by the government on foreign exchange access in order to balance the books and maintain the national currency exchange rate. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its USD cash and bank balances (Note 24) of RMB186,464 thousand equivalent.

(All amounts expressed in RMB'000 unless otherwise specified)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk arising from the rules and regulations of the foreign exchange control promulgated by the PRC government (continued)

The following table demonstrates the sensitivity to reasonably possible changes in the USD or HKD exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the carrying amount of monetary assets and liabilities). The Group's equity is not affected, other than the consequential effect on the accumulated losses (a component of the Group's equity) of the changes in the profit before tax as disclosed below.

	2017	2016
Increase/(decrease) in USD exchange rate	**10%/(10%)**	10%/(10%)
Increase/(decrease) in profit before tax	**18,646/(18,646)**	19,940/(19,940)

Credit risk

Credit risk arises from cash and bank balances, loans and receivables, trade receivables and other receivables, the balances of which represent the maximum credit risk exposure of the Group. As at 31 December 2017 and 2016, a large portion of the net receivables was from the investment in urbanization development, and there was a significant other receivable as mentioned in Note 22, which constitutes a concentration of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans and receivables, trade and other receivables are disclosed in Notes 15, 22 and 23 respectively.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents to have available funding through the use of bank loans, debentures and other borrowings to meet its commitments over the foreseeable future in accordance with its strategic plan.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

31 December 2017	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Contractual due date not specified**	**Total**
Interest-bearing loans and other borrowings	**—**	**4,253**	**61,446**	**316,854**	**—**	**—**	**382,553**
Senior guaranteed notes	**—**	**—**	**1,335,750**	**—**	**—**	**—**	**1,335,750**
Trade payables	**133,172**	**—**	**—**	**—**	**—**	**14,429**	**147,601**
Financial liabilities at fair value through profit or loss	**—**	**—**	**12,860**	**202,186**	**—**	**—**	**215,046**
Other liabilities	**211,841**	**—**	**—**	**—**	**—**	**—**	**211,841**
	345,013	**4,253**	**1,410,056**	**519,040**	**—**	**14,429**	**2,292,791**

(All amounts expressed in RMB'000 unless otherwise specified)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

31 December 2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Contractual due date not specified	Total
Interest-bearing loans and other borrowings	150,000	328,316	60,842	299,656	—	—	838,814
Senior guaranteed notes	—	—	71,500	1,335,750	—	—	1,407,250
Trade payables	99,169	—	—	—	—	15,297	114,466
Financial liabilities at fair value through profit or loss	—	—	8,065	131,580	—	—	139,645
Other liabilities	131,956	—	—	—	—	—	131,956
	381,125	328,316	140,407	1,766,986	—	15,297	2,632,131

Capital management

The primary objective of the Group's capital management is to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issued bonds, convertible bonds or new shares.

As the Group is engaged in land and property development, it needs a substantial amount of funds. The Group manages capital by closely monitoring its gearing ratio (which is defined by management as net debt divided by capital plus net debt).

Net debt includes senior guaranteed notes, interest-bearing bank and other borrowings and excludes cash and bank balances. Equity includes equity attributable to equity holders of the parent and non-controlling interests. The gearing ratios are calculated as follows:

	2017	2016
Interest-bearing bank and other borrowings	**348,938**	796,478
Senior guaranteed notes	**1,297,891**	1,294,201
Less: Cash and bank balances	**(1,532,265)**	(2,349,397)
Net debt	**114,564**	(258,718)
Capital:		
Total equity	**4,605,214**	4,277,867
Capital and net debt	**4,719,778**	4,019,149
Gearing ratio	**2.43%**	–6.44%

Collateral held

The Group did not hold any collateral as at 31 December 2016 and 2017.

(All amounts expressed in RMB'000 unless otherwise specified)

38. 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:

Financial assets	2017	2016
Available-for-sale financial assets	**35,049**	32,000
Other receivables	**894,517**	1,070,245
Trade receivables	**1,275,816**	62,408
Loans and receivables	**2,085,146**	2,067,277
Financial assets at fair value through profit or loss	**541,600**	818,673
Cash and bank balances	**1,532,265**	2,349,397
	6,364,393	6,400,000
Financial liabilities		
Financial liabilities at fair value through profit or loss	**188,268**	118,551
Financial liabilities at amortised cost		
— Interest-bearing bank and other borrowings	**348,938**	796,478
— Senior guaranteed notes	**1,297,891**	1,294,201
— Trade payables	**147,601**	114,466
— Others	**211,841**	131,956
	2,194,539	2,455,652

39. FAIR VALUE AND FAIR VALUE HIERARCHY

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair value of the financial instrument. For financial instruments where there is no active market or when current market prices are not available, their fair values are determined using valuation techniques.

The Group's financial assets mainly include loans and receivables, cash and bank balances, available-for-sale financial assets, financial assets at fair value through profit or loss, trade and other receivables. The Group's financial liabilities mainly include senior guaranteed notes, interest-bearing bank and other borrowings, financial liabilities at fair value through profit or loss, trade and other payables. The fair values of the Group's and the Company's financial instruments are not materially different from their carrying amounts.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

(All amounts expressed in RMB'000 unless otherwise specified)

39. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

The following table shows the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures of assets measured at fair value as at 31 December 2017:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets/liabilities measured at fair value:					
Financial assets at fair value through profit or loss (Note 17)	31 December 2017	**541,600**	—	**541,600**	—
Available-for-sale financial assets (Note 16)	31 December 2017	**35,049**	—	**35,049**	—
Financial liabilities at fair value through profit or loss (Note 32)	31 December 2017	**188,268**	—	**188,268**	—

There were no transfers of fair value measurement between Level 1 and Level 2 during the year ended 31 December 2017.

Quantitative disclosures of assets measured at fair value as at 31 December 2016:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets/liabilities measured at fair value:					
Financial assets at fair value through profit or loss (Note 17)	31 December 2016	818,673	—	818,673	—
Available-for-sale financial assets (Note 16)	31 December 2016	32,000	—	32,000	—
Financial liabilities at fair value through profit or loss (Note 32)	31 December 2016	118,551	—	118,551	—

There were no transfers of fair value measurement between Level 1 and Level 2 during the year ended 31 December 2016.

(All amounts expressed in RMB'000 unless otherwise specified)

40. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2017	Cash Flows	Foreign exchange movement	Others	31 December 2017
Interest-bearing loans and borrowings	**796,478**	**(445,584)**	**(3,766)**	**1,810**	**348,938**
Senior guaranteed notes	**1,294,201**	**—**	**—**	**3,690**	**1,297,891**
Financial liabilities at fair value through profit or loss	**118,551**	**70,000**	**—**	**(283)**	**188,268**
Total liabilities from financing activities	**2,209,230**	**(375,584)**	**(3,766)**	**5,217**	**1,835,097**

	1 January 2016	Cash Flows	Foreign exchange movement	Disposal of subsidiaries	Others	31 December 2016
Interest-bearing loans and borrowings	674,030	102,197	18,753	—	1,498	796,478
Senior guaranteed notes	1,290,490	—	—	—	3,711	1,294,201
Financial liabilities at fair value through profit or loss	—	118,500	—	—	51	118,551
Interest-bearing loans and borrowings — held for sale	1,177,090	(512,806)	—	(664,284)	—	—
Total liabilities from financing activities	3,141,610	(292,109)	18,753	(664,284)	5,260	2,209,230

(All amounts expressed in RMB'000 unless otherwise specified)

41. 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:

	Notes	2017	2016
Assets			
Non-current assets			
Investments in subsidiaries		**5,051,344**	5,051,344
Property, plant and equipment		**74**	100
Investment classified as loans and receivables		**68,150**	—
Other assets		**349**	—
Total non-current assets		**5,119,917**	5,051,444
Current assets			
Other receivables		**381,391**	180,387
Cash and bank balances		**492,059**	950,324
Total current assets		**873,450**	1,130,711
Total assets		**5,993,367**	6,182,155
Equity and liabilities			
Equity			
Equity holders of the parent:			
Share capital	25	**4,070,201**	4,110,841
Other reserves	26	**1,912,683**	1,912,683
Accumulated losses		**(1,042,743)**	(1,030,135)
Total equity		**4,940,141**	4,993,389
Current liabilities			
Other borrowings		**—**	320,950
Other payables and accruals		**14,742**	31,822
Amount due to subsidiaries		**1,038,484**	835,994
Total current liabilities		**1,053,226**	1,188,766
Total liabilities		**1,053,226**	1,188,766
Total equity and liabilities		**5,993,367**	6,182,155
Net current liabilities		**(179,776)**	(58,055)
Total assets less current liabilities		**4,940,141**	4,993,389

Wei Wei
Non-executive Chairman

Liu Heqiang
Chief Executive Officer

(All amounts expressed in RMB'000 unless otherwise specified)

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Other reserves	Accumulated losses	Total reserves
As at 1 January 2016	1,912,683	(1,906,811)	5,872
Total comprehensive income	—	876,676	876,676
As at 31 December 2016 and 1 January 2017	1,912,683	(1,030,135)	882,548
Total comprehensive loss	—	(12,608)	(12,608)
As at 31 December 2017	1,912,683	(1,042,743)	869,940

There were no movements in other reserves during the years ended 31 December 2017 and 2016.

42. EVENTS AFTER THE REPORTING PERIOD

On 21 January 2018, CDBC Nanjing, CNT Holding, Sichuan Zhongxi Property Co., Ltd. ("Sichuan Zhongxi") and Nanjing Guoying Development Co., Ltd. (the "Joint Venture") entered into a cooperation agreement, pursuant to which CDBC Nanjing, CNT Holding and Sichuan Zhongxi agreed to invest RMB34.54 million RMB73.26 million and RMB112.2 million respectively into the Joint Venture as capital, representing approximately 15.7%, 33.3% and 51% of the enlarged registered capital. CDBC Nanjing has the right to acquire additional 1% equity interest in the Joint Venture from Sichuan Zhongxi for a consideration of RMB2.2 million upon the Joint Venture obtains the certification of the land use right.

The Joint Venture will be principally engaged in the construction and development of a private "all-through " school covering pre-primary education to secondary education, and obtaining long-term rental return from the operating party of the school once it is completed.

At the same date, NTE, an indirect wholly-owned subsidiary of the Company entered into a subscription agreement to subscribe for and purchase the interest of Kaiyuan Education Fund LP ("Kaiyuan Fund"), at the amount of US$40 million (equivalent to HK$312 million). The Kaiyuan Fund is positioned to offer private education solutions with international curriculum elements.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2018.

NEW TOWN

China New Town Development Company Limited
中國新城鎮發展有限公司

Stock Code: 1278