Hailan Holdings Limited
海藍控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 2278

ANNUAL REPORT 2017

CONTENTS

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Ms. Zhou Li *(Chief Executive Officer and Chairman)*
Ms. Fan Wenyi
Mr. Chen Xiang

NON-EXECUTIVE DIRECTOR

Ms. Yao Yu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Yong
Mr. E Junyu
Dr. Chen Shimin

COMPANY SECRETARY

Mr. Chiu Ming King

AUTHORIZED REPRESENTATIVES UNDER THE LISTING RULES

Ms. Zhou Li
Mr. Chiu Ming King

AUDIT COMMITTEE

Dr. Chen Shimin *(Chairman)*
Mr. Li Yong
Mr. E Junyu

REMUNERATION COMMITTEE

Mr. E Junyu *(Chairman)*
Ms. Zhou Li
Mr. Li Yong
Dr. Chen Shimin

NOMINATION COMMITTEE

Ms. Zhou Li *(Chairman)*
Mr. Li Yong
Mr. E Junyu
Dr. Chen Shimin

AUDITOR

KPMG

COMPLIANCE ADVISOR

Haitong International Capital Limited

PRINCIPAL BANKS

Industrial and Commercial Bank of China Limited
Bank of Communications Co., Ltd.

LEGAL ADVISORS

As to Hong Kong law
Loong & Yeung Solicitors
As to PRC law
Beijing Dentons Law Offices, LLP (Guangzhou)

REGISTERED OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

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Sanya, the Hainan Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

COMPANY WEBSITE

www.hailanholdings.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Hailan Holdings Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**"), I am pleased to present the audited financial performance for the year ended 31 December 2017 (the "**Reporting Period**").

BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2017

In 2017, China's real estate industry experienced a shift from the traditional demand-side restraint to supply-side expansion. On the policy front, the regulatory effect of maintaining macro control, adjusting structure and stabilizing expectation gradually emerged. During the year, the Group made accurate judgement on market changes and, adhering to a prudent and sound operational policy, continued to implement the development strategy for "regional focus, quick turnover and innovative transformation" to achieve a steady growth in the scale of our business.

During the period, the Group completed contract sales of approximately RMB2,164.4 million, representing an increase of 72.4% year-on-year, achieving 133% of the full-year sales target ahead of schedule and marking a new milestone in the development of the Group. At the same time, the Group proceeded steadily in delivering projects, recording a growth of about 43.2% in revenue for the year to RMB2,005.3 million as compared to 2016. Gross profit reached RMB890.4 million, representing an increase of 108.7% year-on-year, and gross profit margin rose from 30.5% to 44.4%.

As business grew, the Group's financial position remained stable, characterized by smooth financing channels and further reduction in financing costs. As of 31 December 2017, the Company completed rapid deleveraging and further optimized its debt structure.

In the land market, the Company accurately judged the macroeconomic and monetary policies and was active in studying and controlling supply and demand in different cities. As of 31 December 2017, the Company had land reserves with a total GFA of 1.47 million sq.m., which is sufficient for development in the coming three to four years.

PROSPECTS FOR 2018

In 2018, according to the guidelines and positioning for the real estate industry in the report of the 19th National Congress of the Communist Party of China that "houses are for living in, not for speculation", it is expected that market regulation will not be eased while deleveraging and risk prevention will continue. We are also aware that the State introduced policies on the Chinese real estate market from a long-term perspective to pursue stable and healthy development, rather than short- and medium-term goals. The Group will continue to strengthen its policy research and take advantage of the trends, paying close attention to and adapting to changes in the macro-control policies. At the same time, we will grasp customer needs, continuously optimize product mix, undergo active destocking and accelerate the turnover of projects to promote the growth in contract sales.

ACKNOWLEDGEMENT

I, on behalf of the Board, would like to express my sincere gratitude to all our staff for their hard work, and my heartfelt thanks to customers, investors and business partners for their strong support to the Group.

Zhou Li
Chairperson

28 March 2018

Management Discussion and Analysis

BUSINESS REVIEW

Overall Performance

As of 31 December 2017, the revenue and gross profit of the Group were approximately RMB2,005.3 million and approximately RMB890.4 million, representing an increase of approximately 43.2% and 108.7% as compared with the corresponding period of 2016, respectively. Profit as of 31 December 2017 attributable to the equity shareholders of the Company was approximately RMB251.2 million, representing an increase of approximately 286.5% as compared with the corresponding period of 2016. Basic earnings per share was RMB84 cents (the corresponding period of 2016: RMB25 cents).

As at 31 December 2017, the net debt-to-equity ratio of the Group was 0.

	As of 31 December		
Performance Highlights	**2017**	2016	Changes %
Contracted sales (RMB million)[3]	**2,164.4**	1,268.5	70.6
Contracted saleable gross floor area ("GFA") (sq.m.)[2, 3]	**80,688.8**	60,710.1	32.9
Contracted average selling price ("ASP") (RMB/sq.m.)[2, 3]	**26,824.0**	20,895.0	29.7
Revenue (RMB million)	**2,005.3**	1,400.8	43.2
Among which: sales of properties			
– Revenue from properties delivered (RMB million)[1]	**1,964.0**	1,396.7	40.6
– GFA of properties delivered (sq.m.)	**93,925**	76,434	22.9
– ASP of properties delivered (RMB average sales)	**20,910**	18,273	15.5
Rental income (RMB million)[1]	**5.0**	4.1	22.0
Gain on revaluation upon properties under development being transferred to investment properties (RMB'000)	**36,399**	–	N/A
Gross profit (RMB million)	**890.4**	426.7	108.7
Profit for the Period			
– Attributable to shareholders (RMB million)	**251.2**	65.0	286.5
– Attributable to non-controlling interests (RMB million)	**8.3**	(17.0)	51.2
Total assets (RMB million)	**5,194.6**	5,264.8	-1.3
Cash and bank balances (including cash, cash equivalents & restricted cash) (RMB million)	**938.1**	465.8	101.4
Total bank and other borrowings (RMB million)	**–**	973.9	–
Total equity (RMB million)	**1,935.5**	1,688.5	14.6
Key financial ratios			
Gross profit margin[(4)]	**44.4%**	30.5%	
Net debt to equity ratio[(5)]	**N/A**	30.1%	
Gearing ratio[(6)]	**–**	57.7%	

Notes:

1. It refers to the amount of revenue net of business tax and other sales related taxes.

2. The GFA attributable to parking spaces is not counted.

3. Under the agreement among the shareholders of Danzhou Shuang Lian Property Development Co., Ltd. ("Danzhou Shuang Lian"), one of the shareholders of Danzhou Shuang Lian continued to manage, develop, bear and enjoy the risk and return of phase I of the development project located at Danzhou ("Danzhou phase I"). Acquisition of Danzhou Shuang Lian has been accounted for as business combination, and Danzhou Shuang Lian was fully consolidated into the consolidated financial statements of the Group since the acquisition date. Under the above agreement, the net profit or loss or net asset or liability arising from Danzhou phase I is accounted for as non-controlling interests in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity. For the purpose of discussion, this analysis has included the details of contract sales of Danzhou phase I.

4. Gross profit margin: Gross profit ÷ Revenue x 100%

5. Net debt to equity ratio: (Total bank and other borrowings – Cash and bank balances) ÷ Total interests x 100%

6. Gearing ratio: Total bank and other borrowings ÷ Total interests x 100%

CONTRACTED SALES

For the year ended 31 December 2017, the contracted sales of the Group amounted to approximately RMB2,164.4 million, representing an increase of approximately 70.6% from approximately RMB1,268.5 million for the year ended 31 December 2016. Total gross floor area ("GFA") sold in 2017 was approximately 80,688.8 sq.m., representing an increase of approximately 32.9% from approximately 60,710.1 sq.m. for the year ended 31 December 2016. In terms of geographical location, the contracted sales of the Group in Sanya and Danzhou amounted to RMB2,004.2 million and RMB160.2 million respectively, representing approximately 92.6% and 7.4% of total contracted sales of the Group in 2017.

The following table sets out the geographic breakdown of the Group's contracted sales, contracted GFA and contracted average selling price ("ASP") by projects for the years ended 31 December 2017 and 2016:

Project	**Year ended 31 December 2017**			Year ended 31 December 2016		
	Contracted Sales RMB *(million) (approx.)*	**Contracted GFA** *(sq.m.)*	**Contracted ASP** *(RMB per sq.m.)*	Contracted Sales RMB *(million) (approx.)*	Contracted GFA *(sq.m.)*	Contracted ASP *(RMB per sq.m.)*
Sanya Phoenix Aqua City Left Shore	**1,984.8**	**53,981.6**	**36,768.1**	1,192.1	51,290.7	23,243.0
Sanya Phoenix Aqua City South Shore Phase I	**19.4**	**454.9**	**42,646.7**	25.9	1,339.4	19,358.0
Danzhou Phase I	**160.2**	**26,252.3**	**6,102.3**	50.5	8,080.0	6,247.0
Total	**2,164.4**	**80,688.8**	**26,824.0**	1,268.5	60,710.1	20,894.4

PROPERTY PROJECTS

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

As at 31 December 2017, the Group had completed the construction of a total GFA of 0.67 million sq.m. and had land reserves with a total GFA of 1.47 million sq.m., comprising (a) a total GFA of 0.07 million sq.m. completed but remaining unsold or held for investment, (b) a total GFA of 0.03 million sq.m. under development, and (c) a total planned GFA of 1.37 million sq.m. with site area of 0.83 million sq.m., held for future development.

The Group retains the ownership of certain self-developed commercial properties to generate recurring income. As at 31 December 2017, the Group had investment properties with a total GFA of 12,571 sq.m..

PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR FUTURE DEVELOPMENT

The following table sets out a summary of the Group's properties under development, properties held for future development and project phases by projects as at 31 December 2017:

Project	Project Type	Expected Completion Date	Site Area (sq.m.)	Under Development GFA Under Development (sq.m.)	Saleable/ Rental GFA (sq.m.)	Held For Future Development GFA Pre-sold (sq.m.)	Planned GFA (sq.m.)	Ownership Interest %
Phoenix Aqua City South Shore Phase I	Garage and ancillary facilities	2018.12.25	–	11,967.2	–	–	–	–
Phoenix Aqua City South Shore Phase II	Planning and applying for construction	2021.10.15	356,572.1	–	–	–	617,580.0	100
Phoenix Aqua City Left Shore	Garage and ancillary facilities	2018.12.30	–	18,465.0	–	–	–	97
Haikou Phoenix Aqua City	Planning and applying for construction	2020.2.2	61,761.0	–	–	–	48,173.8	100
Danzhou Phoenix Aqua City	Planning and applying for construction	2023.1.31	409,665.2	–	–	–	704,312.8	60
Total Attributable GFA			827,998.3	30,432.2	–	–	1,370,066.6	–

INVESTMENT PROPERTIES

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

Project	Project type	Total GFA Held for Investment (sq.m.)	Leased GFA (sq.m.)	Total Rental Income 2017 (RMB million)	Total Rental Income 2016 (RMB million)
Sanya Phoenix Aqua City Left Shore Zone II & III Garage	Garage and ancillary facility	12,571.0	12,571.0	**1.3**	0.1

COMPLETED PROPERTIES

The following table sets out a summary of the Group's completed projects and project phases by projects as at 31 December 2017:

Project	Project Type	Site Area (sq.m.)	GFA Completed (sq.m.)	Saleable/ Rental GFA (sq.m.)	Saleable GFA Not Yet Sold (sq.m.)	Rental GFA Held For Property Investment (sq.m.)	Ownership Interest %
Phoenix Aqua City South Shore Phase I	Low-rise apartments	189,921.7	23,853.02	14,661.59	3,869.68	–	100
	Multi-storey apartments		89,756.21	79,658.60	351.90	–	100
	Medium-rise		44,640.25	41,351.56	126.88	–	100
	High-rise		119,997.90	107,279.48	415.91	–	100
Phoenix Aqua City Left Shore	Multi-storey apartments	139,797.7	96,943.80	77,138.74	11,748.87	–	97
	Medium-rise		120,454.76	95,192.84	7,317.65	–	97
Haikou Phoenix Aqua City	Medium-rise	25,490.2	45,790.30	30,157.0	26,371.54	–	100
Danzhou Phase I	Residential	38,465.9	129,628.50	87,654.55	15,354.05	–	–
Total		393,675.5	671,064.74	533,094.36	65,556.48	–	–

LAND RESERVES

No new project was acquired by the Group for the Reporting Period.

For the year ended 31 December 2017, the total planned GFA for future development of the land bank of the Group amounted to approximately 1.4 million sq.m.. Among the total land bank of the Group, 45.1% is located in Sanya City, 51.4% is located in Danzhou City and 3.5% is located in Haikou City of the Hainan province of the People's Republic of China (the "**PRC**").

FINANCIAL REVIEW

REVENUE

Revenue of the Group mainly consists of revenue derived from (i) property development; and (ii) property investment. For the year ended 31 December 2017, turnover of the Group amounted to approximately RMB2,005.3 million, representing an increase of approximately 43.2% from approximately RMB1,400.8 million in 2016, mainly due to the increase in the revenue derived from property development.

Property Development

The Group's revenue from property development included the sale of residential, commercial properties and hotels. The Group recognised revenue from the sale of properties when the significant risks and rewards of ownership have been transferred to the purchaser, i.e. when the relevant property has been completed, all the consideration has been received and the possession of the property has been delivered to the purchaser. For the year ended 31 December 2017, revenue derived from property development was approximately RMB1,964.0 million, representing an increase of approximately 40.6% from approximately RMB1,396.7 million in 2016. The increase was primarily due to the rapid destocking in Hainan market resulted from the recovery of the domestic real estate market.

Property Investment

The Group's property investment mainly consisted of leasing of residential properties and car parks. Revenue generated from property investment increased by approximately 19.5% to approximately RMB4.9 million in 2017 from approximately RMB4.1 million in 2016. The increase was primarily due to the increased number of car parks contracted for leasing in 2017.

Gross Profit and Margin

Gross profit increased by approximately 108.7% to approximately RMB890.4 million in 2017 from approximately RMB426.7 million in 2016, while the Group's gross profit margin was 44.4% in 2017 as compared to a gross profit margin of 30.5% in 2016. The increase in gross profit margin was mainly attributable to a rise in the property prices resulted from the recovery of the real estate market. The gross profit margin of multi-storey apartments of Sanya Phoenix Aqua City in 2017, which were the majority of GFA delivered in 2017, was higher than the profit margin of medium-rise apartments in 2016, which were the majority of GFA delivered in 2016.

Selling and Distribution Expenses

The selling and distribution expenses decreased to approximately RMB53.1 million in 2017 from approximately RMB67.8 million in 2016. The decrease by approximately 21.7% was mainly attributable to the changes of sales model and the decrease in sales commission.

Administrative Expenses

The Group's administrative expenses decreased by approximately 35.1% to approximately RMB48.4 million in 2017 from approximately RMB74.6 million in 2016 due to the decrease of labour costs, listing expenses and the amortisation cost of the share incentive scheme.

Other Expenses

The Group's other expenses decreased to approximately RMB0.1 million in 2017 from approximately RMB7.0 million in 2016. The decrease of approximately 98.6% was mainly due to the decrease in interest expense incurred from overdue land premium and the transaction tax on the interest income of the intragroup loan which was paid in one lump sum, which were not incurred in 2017.

Net Finance Costs

The Group's net finance costs decreased by approximately 84.0% to approximately RMB8.3 million in 2017 from approximately RMB52.0 million in 2016, mainly due to full repayment of external loans and borrowings in 2017 and more interest income earned from banks in line with the increase in cash balance.

Income Tax Expense

The Group's income tax expense increased by approximately 184.2% to approximately RMB521.3 million in 2017 from approximately RMB183.4 million in 2016, mainly due to increase of 78.5% in revenue in 2017 as compared to 2016 and most of the delivered properties being the foreign-style house in Zone II of Sanya Feng Huang Shui Yun with higher gross profit.

Profit and total comprehensive income attributable to equity shareholders of the Company

As a result of the foregoing reasons, profit and total comprehensive income attributable to equity shareholders of the Company increased by approximately 223.0% to approximately RMB237.7 million in 2017 from approximately RMB73.6 million in 2016.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2017, the Group had an aggregate of pledged/restricted bank deposits and bank balances and cash of approximately RMB938.1 million (2016: approximately RMB465.8 million), representing an increase of approximately 101.4% as compared to that as at 31 December 2016. As at 31 December 2017, bank deposits of RMB41.2 million (2016: RMB14.6 million) were pledged to honor construction contracts or to secure bank borrowings raised by the Group.

Borrowings and Charges on the Group's Assets

As at 31 December 2017, the Group had bank and other borrowings of approximately RMB0 million (2016: approximately RMB973.9 million). Amongst the borrowings, approximately RMB0 million (2016: approximately RMB272.5 million) will be repayable within one year and approximately RMB0 million (2016: approximately RMB701.4 million) will be repayable after one year.

As at 31 December 2016, bank loans of approximately RMB408.9 million were secured by properties under development, completed properties held for sale, investment properties and restricted cash and all these pledges were released during the year ended 31 December 2017.

Net Gearing Ratio

As at 31 December 2017, the gearing ratio (calculated by total debt divided by total equity; total debt includes interest-bearing bank and other borrowings) was –% (31 December 2016: 57.7%).

Foreign Currency Risk

The Group mainly operates in the PRC. Except for the Company whose functional currency is Hong Kong dollars, the Group's functional currency and the currency in which the Group denominates and settles substantially all of its transactions are Renminbi. Any depreciation of the Renminbi would affect the value of any dividends that the Group pays to the shareholders of the Company (the "Shareholders") outside the PRC. The Group currently does not engage in any hedging activities designed or intended to manage foreign exchange rate risk.

Commitments

As at 31 December 2017, the Group had authorized as budget or committed payment for the construction and land development expenditure amounting to approximately RMB6,884.7 million (2016: approximately RMB7,159.6 million).

Contingent Liabilities

(a) *Guarantees in respect of mortgage facilities*

As at 31 December 2017, the Group had provided guarantees amounting to approximately RMB252.1 million (2016: approximately RMB247.7 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee will be released upon the earlier of the purchaser obtaining the relevant building ownership certificate and completion of the relevant mortgage registration and the full settlement of mortgage loans by the purchaser. In the opinion of the Directors, no provision for the guarantee contracts was recognised in the financial statements for the year ended 31 December 2017 as it is not probable that the Group will sustain a loss under these guarantees.

(b) *Land use right*

On 17 January 2018, a subsidiary of the Group, Hainan Nanhai Xiang Long Properties Development Limited ("Nanhai Xiang Long") received a decision from Haikou People's Government in relation to its confiscating of the state-owned construction land use right of of a parcel of land owned by Nanhai Xiang Long located to the north of Bin Hai Xi Lu (濱海西路), Haikou, with a total site area of approximately 88,209.07 square meters (the land certificate number being Hai Kou Shi Guo Yong (2008) No. 001431 (海口市國用(2008)第001431號)) (Haikou Phoenix Aqua City Phase II (the "Phase II")) (the "Decision") for the reason that the land parcel has not been developed and constructed on schedule.

The Group is in the process of preparing to bring a suit to Haikou People's Court for Haikou People's Government's infringing its rights relating to Phase II. The Group has also continued its discussions with the Haikou Planning Bureau indicating its willingness to develop Phase II subject to the Bureau's approval of its design plans. The Directors, after seeking legal opinion, consider that the Group has reasonable grounds to challenge the Decision and that therefore, taking account of all available evidence, it is not more likely than not that a present obligation to surrender the land without compensation exists at the end of the Reporting Period. No provision has therefore been made in respect of the Decision in the financial statements for the year ended 31 December 2017. Should the Decision be successfully enforced by the Haikou People's Government, the Group may suffer a loss on confiscation amounting to RMB179,182,000, being the carrying value of Phase II recognised within the properties under development.

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals of subsidiaries, associates during the year ended 31 December 2017.

Future Plans for Material Investments

The Company will continue to invest in property development projects and acquire suitable land parcels in Hainan province, if it thinks fit. It is expected that internal resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed in the prospectus of the company dated 30 June 2016 (the "Prospectus") and in this report, the Group did not have any future plans for material investments as of the date of this report.

Employees, Remuneration Policies and Share Option Scheme

As at 31 December 2017, the Group (including Danzhou Phase I) had approximately 24 employees. For the year ended 31 December 2017, the Group incurred employee costs of approximately RMB13.0 million of which approximately RMB13.0 million was charged to the profit and loss accounts and approximately RMB0 million was capitalised in properties under development. Remuneration for the employees generally includes salary and performance-based bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medical, maternity occupational injury and unemployment benefit plans. Remuneration also includes share-based payment expenses, which incurred approximately RMB1.0 million for the year ended 31 December 2017 (2016: RMB6.8 million) in relation to the pre-IPO share incentive scheme (as stated in the Prospectus).

Sales and Marketing

One of the success factors of the Group has been our good relationship with our customers, the foundation of which has been built on mutual trust, high and consistent standard and quality of work, punctual deliverables, upheld spirit of our staff, and effective communication with customers, etc. Our internal sales management division approves the overall sales and marketing planning and monitors such agencies' sales and marketing activities to ensure that our marketing strategies and plans are implemented and our products are well-positioned and presented. The Group will continue to leverage its strong network in the industry and reinforce marketing efforts to secure more projects and maximise investors' return.

FINAL DIVIDEND

The Board did not recommend payment of final dividend to shareholders of the Company for the year ended 31 December 2017 (2016: nil).

USE OF PROCEEDS

INTENDED USE OF PROCEEDS

It was disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus that the Company intended to use the net proceeds from the global offering of approximately HK$262.4 million (assuming an offer price of HK$4.15 per Share, being the mid-point of the indicative offer price range), after deducting underwriting fees and estimated expenses payable by the Company in relation to the global offering, for the following purposes:

- approximately HK$236.2 million, representing approximately 90% of the net proceeds for financing the development of Sanya Phoenix Aqua City South Shore Phase II; and

- approximately HK$26.2 million, representing approximately 10% of the net proceeds, for working capital and other general corporate purposes.

In the event that we suffer any delay in the development of Sanya Phoenix Aqua City South Shore Phase II, we will apply 80% of the net proceeds which was intended to finance the development of Sanya Phoenix Aqua City South Shore Phase II in financing the development of Haikou Phoenix Aqua City Phase II which is estimated to commence construction in January 2017, and 20% of such to Danzhou Phoenix Aqua City which is estimated to commence construction in March 2017.

To the extent that the net proceeds are not immediately used for the purposes described above, they will be placed in short-term demand deposits with licensed banks or financial institutions.

The actual net proceeds from the listing of the Company on the main board of the Stock Exchange (the "Net Proceeds") was approximately HK$249 million and the Net Proceeds has not yet been applied to the purposes above as at the date of this report.

CHANGE IN USE OF PROCEEDS

As stated in the announcement of the Company dated 1 June 2017 headed "Proposed Change in Use of Proceeds", the Board has resolved to change the use of proceeds to investing in short-term wealth management products, fund products with high security, and new potential property projects to be identified by the Group from time to time in the foreseeable future.

REASONS FOR CHANGE IN USE OF PROCEEDS

The Net Proceeds has not yet been applied to the development of Sanya Phoenix Aqua City South Shore Phase II, Haikou Phoenix Aqua City Phase II and Danzhou Phoenix Aqua City as the projects were at their preliminary stages of applying for the construction planning permits. It is expected that the Sanya Phoenix Aqua City South Shore Phase II, Haikou Phoenix Aqua City Phase II and Danzhou Phoenix Aqua City will start construction officially in late 2017 or in 2018. Despite the delay in development of the above said projects, the Company also expects that the existing cash flow generated from proceeds from the sales of properties and bank financing will be able to provide sufficient fund for working capital and other general corporate purpose, as well as for the development of Sanya Phoenix Aqua City South Shore Phase II, Haikou Phoenix Aqua City Phase II and Danzhou Phoenix Aqua City and fulfilling the demand and potential growth for the Group's need in the near future.

The Board is of the view that the reallocation of the Net Proceeds in investing in short-term wealth management products, fund products and new potential property projects will facilitate efficient allocation of financial resources and utilisation of idle finds, which in turn shall further enhance the overall revenue of the Company and pursue better investment return to the Company and the Shareholders as a whole. The wealth management products and fund products intended to be subscribed by the Company shall be low risk in nature, so it would not impact the day-to-day capital turnover of the Group, the construction of projects or the operation of the Group's principal businesses.

In view of the recent business development strategies and reasons set out above, the Board has resolved to allocate no more than RMB249 million for the above purpose(s).The table below sets out the applications of the net proceeds and actual usage up to 31 December 2017:

Use of proceeds	**Actual usage up to 31 December 2017** *(HK$ million)*
Subscribed for financial investment management products*	249

Note: Details of the financial products are disclosed in the Company's announcement on 1 August 2017 headed "Discloseable Transaction subscriptions of Financial Investment Products."

The Board is of the view that there are no material changes in the nature of business objectives as set out in the Prospectus and that the proposed change in the use of the Net Proceeds is in the interest of the Company and its Shareholders as a whole.

EXECUTIVE DIRECTORS

Ms. Zhou Li (周莉) ("Ms. Zhou"), aged 36, was appointed as an executive Director on 12 April 2016, a member of the remuneration committee and nomination committee of the Company on 22 June 2016 and the chief executive officer of the Company on 29 March 2017. Ms. Zhou is also a director of Lian Yun Gang Long Ji Properties Limited (連雲港隆基置業有限公司) ("Lian Yun Gang Long Ji Properties") and the general manager of Sanya Hui Xin Trading Company Limited (三亞惠新貿易有限公司) ("Sanya Hui Xin Trading"), and the deputy general manager of Sanya Fenghuang Xincheng Industry Company Limited (三亞鳳凰新城實業有限公司) ("Sanya Fenghuang Xincheng"), Sanya Fenghuang Shuiyun Property Development Company Limited (三亞鳳凰水韻房地產開發有限公司) ("Sanya Fenghuang Shuiyun") and Hainan Nanhai Xiang Long Properties Development Limited (海南南海翔龍房地產開發有限公司) ("Hainan Nanhai Xiang Long"), all of which are subsidiaries of the Company.

Ms. Zhou attended a long-distance course of Masters of Business Administration at the Sino-Dutch International Business Center of Nanjing University from December 2005 to December 2008, and obtained a Master of Business Administration degree from Maastricht School of Management in December 2008. Prior to joining the Group, Ms. Zhou was appointed as deputy manager in Chung Wai (Jiangsu) Decoration Park Project Company Limited (中惠（江蘇）裝飾園林工程有限公司) from March 2000 to September 2004. Ms. Zhou was the chairperson of Zhonghui Engineering Group (中惠工程產業集團) between October 2004 to July 2007.

Mr. Chen Xiang (陳祥) ("Mr. Chen"), aged 34, was appointed as an executive Director on 29 August 2017. Mr. Chen currently serves as a director of both cost procurement department and engineering design department in Sanya Fenghuang Xincheng, which is a subsidiary of the Company. From 2006 to 2012, Mr. Chen was also a cost estimator (預決算員) in Verdure International Holding Company Limited (翠屏國際控股有限公司). Mr. Chen graduated from the China University of Geosciences with a Bachelor degree of Civil Engineering in July 2008. Mr. Chen has been registered as a first class constructor (一級建造師) in housing construction (房屋建築) and in public utility (市政公用); and as a cost controller (造價工程師).

Ms. Fan Wenyi (范文燚) ("Ms. Fan"), aged 41, was appointed as an executive Director on 12 April 2016. Ms. Fan has been the head of operation (運營總監) and deputy general manager of the Group since 3 September 2007. Ms. Fan is the chairman of Sanya Fenghuang Xincheng, Sanya Fenghuang Shuiyun, Sanya Zhong Ze Kai Industry Company Limited (三亞中澤凱實業有限公司) and Danzhou Shuang Lian Properties Development Company Limited (儋州雙聯房地產開發有限公司) and the deputy general manager of Lian Yun Gang Tai Sheng City Development Limited (連雲港泰盛城市發展有限公司) ("Lian Yun Gang Tai Sheng Development"), Lian Yun Gang Long Ji Properties, Hainan Nanhai Xiang Long and Sanya Hui Xin Trading, all of which are subsidiaries of the Company. Ms. Fan graduated from Shaanxi External Services Training Academy (陝西對外服務培訓學院) majoring in foreign oriented secretary (涉外文秘) in the PRC in 1996. Ms. Fan was accredited as an intermediate accountant by MOF of the PRC (中國財政部) in May 2005. Prior to joining the Group, Ms. Fan worked as an assistant to general manager of Hainan Xinjia Tourism Co., Ltd. (海南新佳旅業有限公司) from November 2005 to February 2007.

NON-EXECUTIVE DIRECTOR

Ms. Yao Yu (姚宇) ("Ms. Yao"), aged 50, was appointed as a non-executive Director on 15 March 2018. Ms. Yao was responsible for providing opinion to the Board.

Ms. Yao obtained a college diploma in economic management from the Nanjing University (南京大學) in 1991 and then studied a course in Commercial English from the Nanjing University of Aeronautics and Astronautics (南京航空航天大學). She took a postgraduate course in Management Science and Engineering at the Nanjing University (南京大學). She has over 20 years of management experience. Ms. Yao is currently the vice chief manager of Nanjing Cuiping Holiday Inn Nanjing Harbour. Prior to joining the Group, Ms. Yao had been the manager of various hotels and shopping centers in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Yong (李勇) ("Mr. Li"), aged 44, was appointed as an independent non-executive Director and a member of each of the audit committee, the remuneration committee, and nomination committee of the Company on 29 September 2017. Mr. Li is currently a general manager of Hainan Wanlong Real Estate Development & Construction Co., Ltd. (海南萬隆房屋開發建設有限公司) and an independent director of Hainan HNA Infrastructure Investment Group Co., Ltd. (海南海航基礎設施投資集團股份有限公司) (Shanghai Stock Exchange: 600515).

Mr. Li was an assistant to the general manager of China Baoan Group Hainan Industry Co., Ltd.* (中國寶安集團海南實業有限公司) from March 2003 to January 2010. From January 2010 to January 2015, he acted as the director, vice general manager and secretary of the board of directors of Hai Nan Yedao (Group) Co., Ltd., (海南椰島（集團）股份有限公司) (Shanghai Stock Exchange: 600238) and as a general manager of Hainan Danzhou Baoan Real Estate Investment Co., Ltd.* (海南儋州寶安房地產開發有限公司) from January 2015 to November 2015.

In July 1995 and August 2014, respectively, Mr. Li completed the economic management diploma course at Xinxiang Municipal Committee Party School of Henan Province of the Chinese Communist Party (中共河南省新鄉市委黨校) and the advanced Business Administration program for president from the Hainan University.

Mr. Li also obtained the qualification certificate as a secretary to the board of directors and qualification certificate as an independent director issued by the Shanghai Stock Exchange in 2010 and 2014 respectively. He was awarded the Intermediate Title of Business Administration by the National Ministry of Personnel in 2000.

Mr. E Junyu (鄂俊宇) ("Mr. E"), aged 47, was appointed as an independent non-executive Director, the chairman of the remuneration committee, and a member of the audit committee and nomination committee on 22 June 2016. Mr. E obtained an Executive Master's degree of Business Administration from Cheung Kong Graduate School of Business in the PRC in August 2006. Mr. E was awarded "The Young Leader of Chinese Property Market" (中國房地產青年領袖) in August 2005 and "The Meritorious People of Chinese Property Market in 2013-2014" (2013-2014年度中國房地產功勛人物) in January 2014.

Mr. E worked in Hong Kong Lian Hua Investment Group (香港聯華投資集團) as the Beijing representative (北京代表) during January 1991 to March 1994. He then worked as assistant to general manager (總經理助理) in Everbright Real Estate Development Limited (中國光大房地產開發公司) during March 1994 to June 2002. From July 2002 to March 2009, he worked for Yeland Group Co., Ltd (億城集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, Stock Code: SZ000616) and took up various positions including deputy manager, director and president. Mr. E has been appointed as a director of Beijing Hua Fu Sheng Shi Property Investment & Management Company Limited (北京華府盛世置業投資管理有限公司) since June 2009.

Dr. Chen Shimin (陳世敏) ("Dr. Chen"), aged 59, was appointed as an independent non-executive Director, the chairman of the audit committee, and a member of the remuneration committee and nomination committee of the Company on 22 June 2016. Dr. Chen obtained a bachelor's degree and master's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in the PRC in January 1983 and October 1985 respectively, before obtaining a doctorate degree in philosophy from University of Georgia in the United States of America in August 1992. He was recognised as a Certified Management Accountant by The Institute of Certified Management Accountants of the Institute of Management Accountants, United States of America, on 9 January 2008.

Dr. Chen is currently serving as a Professor of Accounting, the Director of the Case Center in China Europe International Business School (中歐國際工商學院). Dr. Chen has also been appointed as a committee member of the Shanghai MBA Programme Postgraduate Education Steering Committee (上海工商管理專業學位研究生教育指導委員會委員) by Shanghai Graduate Institute of Education (上海市研究生教育學會) and Shanghai Academic Degrees Committee Office (上海市學位委員會辦公室) on 26 June 2014, and Honorary Chairman of Pudong, Shanghai branch of the Institute of Management Accountants (美國管理會計師協會上海浦東分會) in April 2015.

Dr. Chen was appointed as an independent director of Shanghai Oriental Pearl (Group) Co., Ltd. (上海東方明珠（集團）股份有限公司) (a deregistered company formerly listed on the Shanghai Stock Exchange, Stock Code: 600832) in June 2008, and has been appointed as an independent director of Shanghai Oriental Pearl Media Co., Ltd. (上海東方明珠新媒體股份有限公司) (a company listed on the Shanghai Stock Exchange, Stock Code: 600637) since June 2015, Huafa Industrial Co., Ltd. Zhuhai (珠海華發實業股份有限公司) (a company listed on the Shanghai Stock Exchange, Stock Code: 600325) since July 2013, Zhejiang Wolwo Bio-Pharmaceutical Co., Ltd (浙江我武生物科技股份有限公司) (a company listed on Shenzhen Stock Exchange, Stock Code: 300357) from January 2011 to January 2017, and Hangzhou Shunwang Technology Co., Ltd (杭州順網科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, Stock Code: 300113) from November 2009 to March 2016; an independent non-executive director of China High Speed Transmission Equipment Group Co., Ltd. (中國高速傳動設備集團有限公司) (a company listed on the Stock Exchange, Stock Code: 658) from June 2007 to December 2016 and Sun.King Power Electronics Group Limited (賽晶電力電子集團有限公司) (a company listed on the Stock Exchange, Stock Code: 580) since August 2010.

SENIOR MANAGEMENT

Mr. Jia Bin (賈濱) ("Mr. Jia"), was appointed as the chief financial officer of the Company on 12 May 2017. Mr. Jia obtained a bachelor of accounting at the Nanjing Economic College (南京經濟學院) (which is currently known as Nanjing University of Finance and Economics (南京財經大學)) in 1997 and received a degree of master of business administration from the Nanjing University (南京大學) in 2015. He has been a Certified Public Accountant of the Chinese Institute of Certified Public Accountants since 2003 and an associate member of the Association of International Accountants since 2016. Prior to joining the Company, Mr. Jia has 20 years of experience in the field of accounting and financial management. He worked in Jiangsu Easthigh International Group Co., Limited* (江蘇東恒國際集團有限公司) and served consecutively in Jiangsu Province International Economic and Trading Industrial Head Corporation* (江蘇省國際經貿實業總公司) as an accountant from 1997 to 1999, in Jiangsu Province International Economic and Trade Property Management Company Limited* (江蘇省國際經貿物業管理有限公司) as a financial manager between 2000 and 2003, the capital finance department of Jiangsu Easthigh International Service and Trading Joint Stock Company Limited* (江蘇東恒國際服務貿易股份有限公司) as a general manager between 2003 and 2008, the capital finance department of Jiangsu Easthigh International Group Co., Limited* (江蘇東恒國際集團有限公司) as an assistant of the general manager between 2006 and 2008. Subsequently, Mr. Jia worked in the finance department of Golden Eagle International Group Co., Limited* (金鷹國際集團有限公司) as an deputy chief financial officer between 2008 and 2009, as a chief financial officer between 2009 and 2011, as an assistant to the president between 2011 and 2015. Subsequently, he also worked in the finance cost center of Verdure International Holding Company Limited* (翠屏國際控股有限公司) as a general manager between April and September in 2015, the financial headquarter of Suning Estate Group Co., Ltd.* (蘇寧置業集團有限公司) as an assistant to the chief executive officer between October 2015 and March 2017.

COMPANY SECRETARY

Mr. Chiu Ming King (趙明璟) ("Mr. Chiu"), was appointed as the company secretary of the Company (the "Company Secretary") on 30 September 2016. Mr. Chiu currently serves as the executive director of Corporate Services of Vistra Corporate Services (HK) Limited. He has over 10 years of experience in the company secretarial field and provides professional services to various listed companies.

Mr Chiu has been an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries ("HKICS") since 2003 and became a fellow member of the HKICS since September 2015. He has been a member of the Membership Committee and Professional Services Panel of HKICS.

Mr Chiu obtained a bachelor of arts from University of Toronto in Canada in June 1999 and received a master of arts in professional accounting and information systems from City University of Hong Kong in November 2003.

* *For identification purpose only*

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance with a view to assure the conduct of management of the Company and protect the interests of all Shareholders. The Company are fully aware that transparency and accountability in corporate governance are crucially important to the Shareholders and the Board considers that sound corporate governance can maximize the Shareholders' interest.

The Company has adopted 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 (the "**Listing Rules**") as its own code of conduct of corporate governance.

During the period from 1 January 2017 to 31 December 2017, the Company has complied with the code provisions as set out in the CG Code except for the deviation from code provision A.2.1 of the CG Code as described below.

Under code provision A.2.1 of the CG Code as set out in Appendix 14 of the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Under the current organisation structure of the Group, the function of chief executive officer is performed by Ms. Zhou. The Board is of the opinion that vesting the roles of both chairman and chief executive officer in Ms. Zhou has the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group.

Under this arrangement, the Board also believes that the balance of power and authority will not be compromised and is adequately ensured by the existing Board which comprises experienced and competent individuals with more than one-third of the Board being independent non-executive directors. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiries with all Directors, each of the Directors has confirmed that he/she has complied with the required standards in the Model Code during the Reporting Period.

The Company has also established written guidelines on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the above written guidelines by the relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises the following Directors:

CHAIRMAN OF THE BOARD AND EXECUTIVE DIRECTOR

Zhou Li *(Chief Executive Officer)*

EXECUTIVE DIRECTORS

Fan Wenyi
Chen Xiang

NON-EXECUTIVE DIRECTOR

Yao Yu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Yong
E Junyu
Chen Shimin

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 17 to 19 of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code. During the Reporting Period, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code, except for certain deviations as specified with considered reasons for such deviations as explained below.

Under Code Provision A.2.1 of the Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

Since 29 March 2017, the Company has not separated the roles of chairman and chief executive officer of the Company. Since 29 March 2017, Ms. Zhou has been the chairman and also the chief executive officer of the Company and is responsible for overseeing the operations of the Group (For details of the appointment, please refer to the Company's announcement on 29 March 2017). In view of the fact that Ms. Zhou has been operating and managing the Group since 2016, the Board believes that it is in the best interests of the Group to have Ms. Zhou taking up both roles for effective management and business development. The Board also believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Although Ms. Zhou performs both roles of chairman and chief executive officer, the division of responsibilities between the two roles is clearly established. While the chairman provides leadership for the Board by ensuring the board works efficiently and discharges his responsibilities in time, and is responsible for supervising the functions and performance of the Board, the chief executive officer is responsible for the management of the Group's business. The Board considers that the balance of power and authority for the present arrangement will not be impaired given the appropriate delegation of the power of the Board to the senior management of the Company for the day-to-day management of the Group, and the effective functions of the independent non-executive Directors representing at least one-third of the Board such that no one individual has unfettered power of decisions. This structure will also enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

With the support of executive Directors and the company secretary, the chairman seeks to ensure that all Directors are properly briefed on issues arising at the Board meetings and receive adequate and reliable information in a timely manner.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board at all times during the Reporting Period met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Each of the three independent non-executive Directors has confirmed his independence and the Company considers each of them to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The chairman of the Board holds meetings with non-executive Directors (including independent non-executive Directors) without executive Directors present at least once a year.

NON-EXECUTIVE DIRECTORS AND DIRECTORS' RE-ELECTION

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is appointed for a specific term of three years and is subject to retirement by rotation at least once every three years. The articles of association of the Company (the "**Articles of Association**") requires that at each annual general meeting one-third of the Directors for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board take decisions objectively in the interests of the Company.

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

All Directors shall have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company at the Company's expense. The board and each director shall have a separate and independent access to the Company's senior management.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Company has arranged appropriate insurance cover in respective of legal action against its Directors.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management. The delegated functions and responsibilities are periodically reviewed by the Board. Approvals has to be obtained from the Board prior to any significant transactions entered into by the management.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

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

In accordance with A.6.5 of the CG Code with regards to continuous professional development, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, each individual Director has attended training courses or workshops or reading materials relevant to his/her professional and/or duties as Director. The Company has maintained a training record in order to assist the Directors to record the training that they have undertaken. A summary is as follows:

Name of Directors	Reading materials regarding regulatory updates and corporate governance matters	Attending in house training relating to the ongoing compliance obligations, governance and other related topics
Executive Directors		
Mr. Yeung Man *(disqualified on 18 December 2017)*	✓	✓
Mr. Huang Annan *(resigned on 29 March 2017)*	✓	✓
Ms. Zhou Li	✓	✓
Ms. Fan Wenyi	✓	✓
Mr. Chen Xiang	✓	✓
Non-executive Director		
Mr. Wang Pei *(resigned on 15 March 2018)*	✓	✓
Independent Non-executive Directors		
Mr. Li Zhong *(resigned on 29 September 2017)*	✓	✓
Mr. Li Yong	✓	✓
Mr. E Junyu	✓	✓
Dr. Chen Shimin	✓	✓

BOARD MEETING

The Board intends to hold Board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board meetings, reasonable notice will generally be given. All Board committee meetings require a notice of at least seven days to be given, unless such notification is waived by all members of the respective Board committees. The agenda and accompanying Board papers are dispatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and Board committee meetings are/will be recorded in sufficient detail to include the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

ATTENDANCE RECORDS

The following is the attendance record of the Directors at Board and committee meetings, and general meetings held during the Reporting Period:

	Attendance/Number of Meetings in 2017				
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Yeung Man *(Note 1)*	3/12	N/A	1/3	N/A	0/1
Huang Annan *(Note 2)*	0/12	N/A	N/A	0/4	N/A
Zhou Li	12/12	N/A	3/3	4/4	1/1
Fan Wenyi	12/12	N/A	N/A	N/A	1/1
Wang Pei *(Note 3)*	12/12	N/A	N/A	N/A	0/1
Li Zhong *(Note 4)*	9/12	1/2	2/3	3/4	0/1
E Junyu	12/12	2/2	3/3	4/4	0/1
Chen Shimin	9/12	1/2	2/3	3/4	1/1
Chen Xiang *(Note 5)*	5/12	N/A	N/A	N/A	N/A
Li Yong *(Note 6)*	2/12	0/2	0/3	0/4	N/A

Note 1 Mr. Yeung Man was disqualified as an executive Director with effect from 18 December 2017.
Note 2 Mr. Huang Annan resigned as an executive Director with effect from 29 March 2017.
Note 3 Mr. Wang Pei resigned as a non-executive Director with effect from 15 March 2018.
Note 4 Mr. Li Zhong resigned as an independent non-executive Director with effect from 29 September 2017.
Note 5 Mr. Chen Xiang was appointed as an executive Director with effect from 29 August 2017.
Note 6 Mr. Li Yong was appointed as an executive Director with effect from 29 September 2017.

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

BOARD COMMITTEES

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

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

AUDIT COMMITTEE

On 22 June 2016, the Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the CG Code. The Audit Committee currently consists of three members, comprising Chen Shimin, Li Yong and E Junyu. All members of the Audit Committee are independent non-executive Directors. The chairman of the Audit Committee is Chen Shimin, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee will hold at least two meetings a year.

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

During the Reporting Period, the Audit Committee held 2 meetings to review the Group's financial result for the year ended 31 December 2016, review the internal control and risk management systems of the Group, oversee the audit process and make recommendation on the re-appointment of the external auditors, and the interim financial results of the Group for the six months ended 30 June 2017.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 22 June 2016 with written terms of reference in compliance with paragraph B.1 of the CG Code. The Remuneration Committee currently consists of four members, comprising E Junyu, Zhou Li, Li Yong and Chen Shimin. Besides Zhou Li is an executive Director, all other members are independent non-executive Directors. The chairman of the Remuneration Committee is E Junyu. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her close associates will participate in deciding his/her own remuneration.

The Remuneration Committee will meet at least once a year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters.

During the Reporting Period, the Remuneration Committee held 4 meetings to review and recommendation to the Board regarding the remuneration of the Directors and senior management.

NOMINATION COMMITTEE

On 22 June 2016, the Company established the Nomination Committee with written terms of reference in compliance with paragraph A.5 of the CG Code. The Nomination Committee currently consists of four members, comprising Zhou Li, Li Yong, E Junyu and Chen Shimin. Besides Zhou Li is an executive Director, all other members are independent non-executive Directors. The chairman of the Nomination Committee is Zhou Li. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, in particular the chairman and the chief executive and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy adopted by the Company, including but not limited to educational background, professional qualifications, skills, knowledge and industry experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee will meet at least once a year to review the structure, size and diversity of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for election at annual general meetings.

During the Reporting Period, the Nomination Committee held 3 meetings to review the structure, size and composition (including the skills, knowledge and experience) of the Board, the independence of the independent non-executive Directors and the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy.

BOARD DIVERSITY POLICY

On 22 June 2016, the Board adopted the Board Diversity Policy. Under the Board Diversity Policy, the Nomination Committee will monitor the implementation of the Board Diversity Policy and give adequate consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board. The Board will regularly review the Board Diversity Policy and make appropriate revisions to ensure the effectiveness of the Board Diversity Policy.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the financial and other information put before them for approval. The management provides all members of the board with monthly updates on the Company's performance, positions and prospectus.

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

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 70 to 78 of this annual report.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the external auditor of the Company in respect of audit services for the year ended 31 December 2017 amounted to RMB2,000,000.

The external auditor did not provide any non-audit service to the Company for the year ended 31 December 2017.

INTERNAL CONTROL AND RISK MANAGEMENT

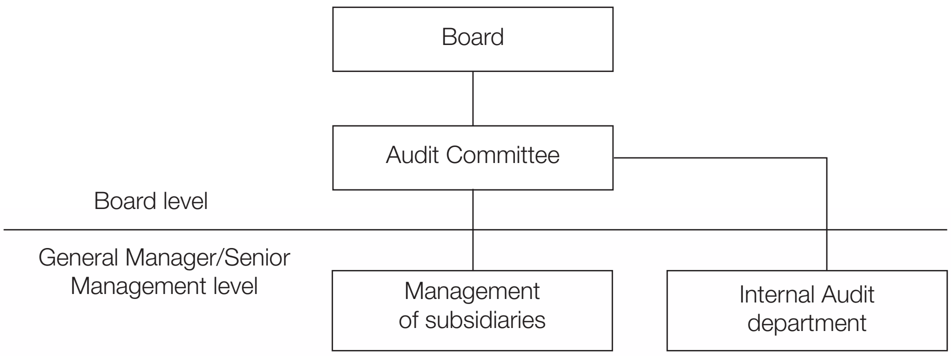
RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Main features of the risk management and internal control systems

The risk management framework of the Group and main responsibilities of the members in the framework are described as follows:



Member	Main Responsibilities
The Board	• Set up goals for risk management strategy, assess and determine the nature and extent of risk acceptable to achieve the strategy goals; • Establish and maintain a proper and effective risk management and internal control systems; • Review the effectiveness of the risk management and internal control systems annually.
Audit Committee	• Assist the Board in overseeing the risk level and the design and performance of the risk management and internal control systems; • Discuss the risk management and internal control systems with the management, ensure the management has fulfilled its responsibility of establishing effective systems; • Ensure that the internal audit function has sufficient resources for operation and has a proper position, review and supervise its performance.

Member	Main Responsibilities
	• Keep updated of various major risks confronted by the Group and the risk management status, make decisions for effective risk control; • Report the risk status of the Group and issues to be concerned or improved to the Board on a regular basis; • Facilitate risk management and assessment, regularly appoint relevant accountable persons to implement risk assessment; • Organise and promote the establishment of the risk management system at the group level; • Review material risk assessment report and various risk management reports. • Review major risk management measures, rectify and deal with the decisions made or actions adopted by relevant organizations or individuals beyond the risk management system; • Engage relevant persons to organise and coordinate various departments and projects to carry out identification and assessment of significant risks at the group level, summarise and analyse such information, submit risk assessment and various risk management reports; and • Carry out risk management for other major issues.
Management of subsidiaries	• Ensure that the subsidiaries carry out the risk assessment in compliance with the risk assessment manual formulated by the Group; • Review and approve the risk assessment results of the subsidiaries in respect of the business; • Ensure that the subsidiaries implement effective risk management; • Monitor the principal business risks confronted by the subsidiaries and the effectiveness of relevant risk management measures; • Allocate resources such as fund and workforce to the subsidiaries for implementation of the risk assessment projects.
Internal audit department	• Report directly to the Audit Committee, analyse and conduct independent assessment on the adequacy and effectiveness of the risk management and internal control systems.

The process used to identify, assess and management of principal risks

The risk management process of the Group is described as follows:

Risk identification	–	identify the current risks confronted.
Risk analysis	–	conduct analysis on the risk including the impact extent and possibility of occurrence.
Risk response	–	choose a proper risk response method and develop a risk mitigation strategy.
Control measures	–	propose up-to-date internal control measures and policy and process.
Risk control	–	continuously monitor the risks identified and implement relevant internal control measures to ensure the effective operation of the risk response strategy.
Risk management report	–	summarise results of risk assessment and analysis and internal audit, formulate and report an action plan.

The process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects:

The Group establishes a risk management information and communication channel that is functional within the whole basic risk control procedure, connects different levels in the reporting system and different departments and operation units, so as to ensure timely, accurate and complete communication of information, laying a solid foundation for the monitoring and improvement of risk management.

Different departments and business units of the Group regularly inspect and examine their own risk management process in order to locate the shortcomings and remedy the situation if possible. Their inspection and examination reports are delivered to the Group's risk management department in time.

The internal audit department of the enterprise may regularly or irregularly carry out supervision and evaluation in relevant departments and business units to decide if they are capable of performing regular risk management tasks and their related work performance. Reports of supervision and evaluation are delivered directly to the audit committee established by the Board of Directors.

The Board reviewed the effectiveness of risk management and internal control systems and further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group and considers these effective; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year ended 31 December 2017.

Internal audit function

The Group's internal audit function is performed by an internal audit team, which reports directly to the Audit Committee.

The procedures and internal controls for the handling and dissemination of inside information:

The Company has implemented proper procedures and internal controls for the handling and dissemination of inside information. The Company has established a policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission, to ensure that all the Group's stakeholders and the public are provided with appropriate information relating to the Group in a timely and simultaneous manner.

COMPANY SECRETARY

The Company has engaged Mr. Chiu Ming King, the executive director of Corporate Services of Vistra Corporate Services (HK) Limited, external service provider, as the company secretary. Ms. He Yuan is the assistant company secretary of the Company, who acts as the main contact person of Mr. Chiu Ming King.

Mr. Chiu Ming King is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed. Details of biography of the Company Secretary are set out in the section headed "Directors and Senior Management" of this annual report. Mr. Chiu Ming King has taken no less than 15 hours of relevant professional training for the year ended 31 December 2017 as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

CONVENING AN EXTRAORDINARY GENERAL MEETING ("EGM") AND PUTTING FORWARD PROPOSALS

Pursuant to Article 64 of the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

CONTACT DETAILS

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

Address: 2/F, No.1 Building Hampton By Hilton
No. 169 Yu Lin Road
Tianya District
Sanya, the Hainan Province
The PRC (For the attention of the Board of Directors/Company Secretary)

Email: hailankonggu@hailanholdings.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders. In this regard, the Company established a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. The Board is committed in providing clear and full performance information of the Group to Shareholders through the publication of interim and annual reports. In addition to the circulars, notices and financial reports sent to shareholders, additional information of the Group is also available to Shareholders on the website of the Company.

Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The chairman of the Board and Directors are available to answer questions on the Group's business at the meeting. All resolutions at the general meeting are decided by a poll which is conducted by the Company's branch share registrar and transfer office in Hong Kong.

The Group values feedbacks from shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address Shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to Shareholders' approval, members of the independent Board committee will also make an effort to address Shareholders' queries.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents for the year ended 31 December 2017.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are property development and property investment in the Hainan Province of the PRC. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 79 to 80 of this annual report.

The Board did not recommend payment of final dividend to the shareholders of the Company for the year ended 31 December 2017.

BUSINESS REVIEW

A fair review of the business of the Group as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising analysis of the Group performance during the year, a discussion on the Group's future business development and a description of the principal risks and uncertainties facing the Group, are set out in the sections "Chairman's Statement", "Management Discussion and Analysis", from pages 4 to 16 of this annual report. Discussions on the environmental policies and performance, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of the key relationships of the Group with its stakeholders are contained in the "Environmental, Social and Governance Report" on pages 54 to 69 of this annual report. These discussions forms part of this Directors' Report.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company which will be held on Wednesday, 27 June 2018 (the "**Annual General Meeting**"), the register of members of the Company will be closed from Friday, 22 June 2018 to Wednesday, 27 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 21 June 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2017 are set out in note 12 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year ended 31 December 2017 are set out in note 13 to the financial statements.

BANK AND OTHER BORROWINGS

Details of movements in the bank and other borrowings of the Group during the year ended 31 December 2017 are set out in note 23 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 26 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2017 are set out in the note 26 to the consolidated statement of changes in equity and the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company did not have any distributable reserves available for distribution to Shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the single largest supplier and the five largest suppliers for the Group (exclusive of Danzhou Phase I) accounted for approximately 66% and 84% of our total purchases under our supply contracts respectively. The percentage of revenue attributable to the Group's single largest customer and five largest customers accounted for less than 30% of the total revenue of the Group respectively.

To the best of the knowledge of the Directors, save for Nanjing Huizhi Construction Installation Engineering Co., Ltd which is indirectly held as to 100% by Mr. Yeung Man, a controlling shareholder of the Company, being one of the five largest supplies for the Group, none of the Directors, their respective close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have any interest in any of the Group's five largest customers or suppliers.

DIRECTORS

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

EXECUTIVE DIRECTORS:

Yeung Man *(disqualified on 18 December 2017)*
Zhou Li *(Chief Executive Officer and Chairman*)*
Huang Annan *(resigned on 29 March 2017)*
Fan Wenyi
Chen Xiang *(appointed on 29 August 2017)*

NON-EXECUTIVE DIRECTOR:

Wang Pei *(resigned on 15 March 2018)*
Yao Yu *(appointed on 15 March 2018)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Li Yong *(appointed on 29 September 2017)*
Li Zhong *(resigned on 29 September 2017)*
E Junyu
Chen Shimin

* Ms. Zhou Li has been appointed as the chief executive officer and chairman with effect from 29 March 2017.

In accordance with Article 108(a) of the Articles of Association, Ms. Fan Wenyi and Mr. E Junyu shall retire at the Annual General Meeting.

In accordance with Article 112 of the Articles of Association, Mr. Chen Xiang, Ms. Yao Yu and Mr. Li Yong, being appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the first general meeting of the Company after their appointments and be subject to re-election at such meeting.

All of the above retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 17 to 20 of this annual report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Details of remuneration of the Directors during the year ended 31 December 2017 are set out in note 8 to the financial statements.

Details of remuneration paid to members of the senior management by band for the year ended 31 December 2017 is set out below:

Remuneration band	Number of individual(s)
RMB500,000 or below	6
RMB500,000 to RMB1,000,000	2
RMB1,000,000 to RMB1,500,000	0

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

POTENTIAL COMPETING BUSINESS

Set out below are details of certain businesses of Mr. Yeung Man, a controlling Shareholder and an executive Director (disqualified on 18 December 2017) which were not included into the Group as at the date of this report. For further details, please refer to the section headed "Relationship with Controlling Shareholders – Excluded Businesses" in the Company's prospectus dated 30 June 2016 (the "Prospectus").

EXCLUDED HAINAN PROJECTS

As disclosed in the Prospectus, the Excluded Hainan Projects held by the private group (being companies owned by Mr. Yeung Man apart from members of our Group which are principally engaged in real estate development, the "Private Group") comprised two properties development projects in Wenchang and Haikou in the Hainan Province, details of which are set out below:

Location	Description	Status as at 31 December 2017
Wenchang Dongjiao Coconut Forest (文昌東郊椰林)	On 8 January 2010, Chung Wai Holding, and the People's Government of Wenchang entered into a co-operation framework agreement, pursuant to which the People's Government of Wenchang agreed that, among others (i) all expenses and developmental construction costs for the primary land development of the land reclamation of 400 mu would be borne by Chung Wai Holding, (ii) to establish a project company namely, Wenchang City Construction Investment Company Limited which was owned as to 40% by the People's Government of Wenchang and 60% by Chung Wai Holding (which was owned as to 30%, 40% and 30% by Chung Wai Holding, the People's Government of Wenchang and Nanjing Yu Ming Hang respectively as at the Latest Practicable Date), and (iii) Wenchang City Construction Investment Company Limited will be invited to participate in the tendering for and the reclaimed land will be sold via tender, auction, or listing-for-sale procedures with reference to the agreed land reclamation cost and would be determined between Chung Wai Holding and the People's Government of Wenchang.	Despite the land reclamation work had been completed, as at 31 December 2017, the People's Government of Wenchang had yet to proceed with the bidding, invitation, auction and listing for the land use rights of the relevant reclaimed land in accordance with the co-operation framework agreement. There is uncertainty as to when and whether the reclaimed land could be obtained.
Gui Lin Yang Bin Hai Tourism Area (桂林洋濱海旅遊區) in Haikou	On 9 March 2007, Haikou Bo Tai Long entered into a land grant contract with the relevant competent authority for, among other matters, acquisition of the land use rights in a piece of land located in the west of Gui Lin Yang Bin Hai Tourism Area (桂林洋濱海旅遊區) with a site area of 642,350 sq.m ("the land use right of Gui Lin Yang Bin Hai"). On 7 January 2008, Haikou Bo Tai Long obtained the construction land planning permit (建設用地規劃許可證) for the said piece of land. Such permit has expired and Haikou Bo Tai Long has not filed any renewal application. On 19 July 2007, Chung Wai (China) Property (as transferee), entered into an agreement ("the equity transfer agreement") with the then equity holders of Haikou Bo Tai Long (as transferors), all being Independent Third Parties, for the acquisition of 60% interests in Haikou Bo Tai Long at the consideration of RMB179,210,000. On 27 October 2017, Haikou Land Bureau issued the Idle Land Verification(閒置土地認定書) to Haikou Bo Tai Long, and the idling was caused by government reasons. On 7 November 2017, Haikou Land Bureau issued the Notice on the Availability of the Cost of Obtaining the Land and Preliminary Reasonable Investment of Related Materials (關於提供土地取得成本和前期合理投入相關材料的通知) to Haikou Bo Tai Long. On 19 December 2017, Haikou Land Bureau issued the Notice on the Meeting concerning Recovery of the Land Use Right with a Payment (關於召開有償收回土地使用權會議的通知) to Haikou Bo Tai Long.	On 27 December 2017, Haikou Land Bureau held a meeting with Haikou Bo Tai Long in respect of recovery of the land use right of Gui Lin Yang Bin Hai with a payment, but it is still pending.

NON-TARGET CITIES PROJECTS

As disclosed in the Prospectus, the Private Group had 6 Non-Target Cities Projects, further details of which are set out below:

Project Name	Location	Description	Status as at 31 December 2017	Total GFA (sq.m.)	Site area (sq.m.)
Zi Qi Yun Gu (紫氣雲谷)	Nanjing, Jiangsu Province	Residential	Partly completed, partly under development and partly vacant land for future development	728,332.9 (including GFA of undeveloped land of project calculating with a 30% plot ratio for villa and the actual GFA of which shall be subject to the government's final approval)	790,519.62
Xin Gang Financial Centre (新港金融中心)	Nanjing, Jiangsu Province	Commercial, office and guesthouses	Under development	134,765.4	24,513.9
Bo En Garden (博恩花園)	Nanjing, Jiangsu Province	Residential	Partly completed, partly under development and partly vacant land for future development	1,046,040.5	641,728.8
Cui Ping Cheng Yuan (翠屏誠園)	Nanjing, Jiangsu Province	Ordinary Residential	Partly under development and partly vacant land for future development	534,176.3	271,992.5
Tuo Le Jia (托樂嘉)	Nanjing, Jiangsu Province	Residential and commercial	Partly completed and partly under development	747,951.8	435,199.7
Gong Jue Town (公爵小鎮)	Huizhou, Guangdong Province	Residential	Partly under development and partly vacant land for future development	271,840.0	218,665.5

Save as disclosed above, none of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules for the year ended 31 December 2017.

NON-COMPETITION UNDERTAKINGS

Each of the controlling Shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under the Deed of Non-Competition (as defined in the Prospectus). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling Shareholders during the period commencing from the Deed of Non-Competition and up to 31 December 2017.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Connected Transactions" in this report, there was no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2017 or at any time during the year ended 31 December 2017.

Save as disclosed, there was no contract of significance between the Company or one of its subsidiaries on the one hand, and a controlling shareholder or any of its subsidiaries on the other, subsisting during or as at the end of the year ended 31 December 2017.

Save as disclosed, there was also no other contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during or as at the end of the same period.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Hong Kong Companies Ordinance. Such provision was in force during the year ended 31 December 2016 and remained in force as of the date of this report. The Company has also arranged appropriate directors' and officers' liability insurance for the Directors and officers of the Group.

MANAGEMENT CONTRACTS

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

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

As of 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(A) INTEREST IN SHARES OF THE COMPANY

Name of Director	Capacity	Position (Long/ Short)	Number of Shares held/ interested in	Approximate shareholding percentage
Ms. Zhou Li	Interest of spouse *(Note 1)*	Long	225,000,000 Shares	75%

Notes:

(1) 225,000,000 shares of the Company are held by Zhong Jia (International) Investment Construction Company Limited ("Zhong Jia (International)") and Zhong Ze (International) Investment Company Limited ("Zhong Ze (International)") as to 224,325,000 shares and 675,000 shares, respectively. Mr. Yeung Man ("Mr. Yeung") beneficially owns 100% of the issued share capital of Zhong Jia (International) and Zhong Ze (International) and is deemed, or taken to be, interested in all the shares held by Zhong Jia (International) and Zhong Ze (International) for the purposes of the SFO. Mr. Yeung and Ms. Zhou Li have declared that they are cohabiting as spouse. Accordingly, Ms. Zhou Li is deemed, or taken to be, interested in the Shares in which Mr. Yeung is interested for the purpose of the SFO.

(2) As of the date of this report, the total number of issued shares of the Company was 300,000,000.

(B) LONG POSITION IN THE SHARES OF ASSOCIATED CORPORATION

(i) Long position in Zhong Jia (International) and Zhong Ze (International)

Name of Director or Chief executive	Name of associated corporation	Capital	Position (Long/Short)	Number and class of securities held/ interested in	Approximate shareholding percentage
Ms. Zhou Li	Zhong Jia (International)	Interest of spouse *(Note 1)*	Long	1 ordinary share	100%
	Zhong Ze (International)	Interest of spouse *(Note 1)*	Long	7,000 ordinary shares	100%

Note:

(1) Mr. Yeung owns 100% interest in Zhong Jia (International) and Zhong Ze (International). Mr. Yeung and Ms. Zhou Li have declared that they are cohabiting as spouse. Accordingly, Ms. Zhou Li is deemed, or taken to be, interested in the Shares of Zhong Jia (International) and Zhong Ze (International) in which Mr. Yeung is interested for the purpose of the SFO.

(ii) Long position in Sanya Hui Xin Trading

Name of Director or Chief Executive	Capacity	Position (Long/Short)	Approximate shareholding percentage
Ms. Zhou Li	Beneficiary of a trust *(Note 1)*	Long	6.56%
Ms. Fan Wenyi	Beneficiary of a trust *(Note 1)*	Long	1.75%
Mr. Chen Xiang	Beneficiary of a trust *(Note 1)*	Long	0.53%

Note:

(1) Each of the target participants and their percentage of equity interest to be interested in Sanya Hui Xin Trading are set out from page 51 to 52 of this annual report.

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

INTERESTS AND/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARE CAPITAL OF THE COMPANY

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

Name of Substantial Shareholder	Nature of interest	Position (Long/Short)	Number and class of securities held/ interested in	Approximate shareholding percentage
Zhong Jia (International)	Beneficial owner	Long	224,325,000 Shares	74.78%
Mr. Yeung	Interest of a controlled corporation *(Note 1)*	Long	224,325,000 Shares	74.78%

Note 1:

224,325,000 shares of the Company are held by Zhong Jia (International). Mr. Yeung beneficially owns 100% of the issued share capital of Zhong Jia (International) and is deemed, or taken to be, interested in all the shares held by Zhong Jia (International) for the purposes of the SFO. Mr. Yeung is the sole director of Zhong Jia (International).

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

CONNECTED TRANSACTIONS

Related party transactions of our Group during the year ended 31 December 2017 set out in note 30 to the Financial Statements. Save as disclosed below, other Related party transactions of our Company did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. Our Company has complied with the disclosure requirements pursuant to the Chapter 14A of the Listing Rules.

The historical transaction amount of the continuing connected transactions of the Group for the year ended 31 December 2017 is set out below:

Connected Person	Nature of Transaction	Transaction Amount for Year ended 31 December 2017 RMB'000
Exempt continuing connected transactions		
Zhong Hui Nanjing Real Estate Development Company Limited *(Note 1)*	Tenancy Agreements	–
Zhong Hui Nanjing Real Estate Development Company Limited *(Note 1)*	Trademark License Agreement	–
Non-exempt continuing connected transactions		
Nanjing Huizhi Construction Installation Engineering Company Limited *(Note 2)*	Construction Cooperation Framework Agreement	285,207

Notes:

(1) Zhong Hui Nanjing Real Estate Development Company Limited (中惠（南京）房地產開發有限公司), a company established in the PRC with limited liability on 20 July 1995, which is indirectly held as to 100% by Mr. Yeung Man, a controlling shareholder of the Company.

(2) Nanjing Huizhi Construction Installation Engineering Company Limited (南京惠智建築安裝工程有限公司), a company established in the PRC with limited liability which is indirectly held as to 100% by Mr. Yeung Man, a controlling shareholder of the Company.

On 8 April 2016, Nanjing Huizhi Construction Installation Engineering Company Limited has entered into a Construction Cooperation Framework Agreement with the Company and its subsidiaries, Sanya Fenghuang Xincheng, Sanya Fenghuang Shuiyun, Hainan Nanhai Xiang Long and Danzhou Shuang Lian effective from the Listing Date up to 31 December 2018.

Under the Construction Cooperation Framework Agreement, Nanjing Huizhi Construction Installation Engineering Company Limited has agreed, where it is selected following the relevant tender processes, to provide the construction services to the Group according to the construction contracts entered into between Nanjing Huizhi Construction Installation Engineering Company Limited and the Group from time to time. The construction fee would be specified in the construction contracts to be entered into between Nanjing Huizhi Construction Installation Engineering Company Limited and the Group from time to time.

The annual caps for the transactions under the Construction Cooperation Framework Agreement for each of the three years ending 31 December 2016, 2017 and 2018 will be approximately RMB50,540,000, RMB399,404,000 and RMB501,722,000, respectively. For more details of these transactions, please refer to the section headed "Connected Transactions" in the Prospectus.

CORPORATE GOVERNANCE RELATING TO THE CONSTRUCTION COOPERATION FRAMEWORK AGREEMENT WITH NANJING HUIZHI CONSTRUCTION INSTALLATION ENGINEERING COMPANY LIMITED

Summaries of corporate governance mechanisms in place in the Reporting Period regarding the non-exempt continuing connected transaction with Nanjing Huizhi Construction Installation Engineering Company Limited under the Construction Cooperation Framework Agreement:

(i) Independence in Selection Process

The Group has adopted an independent mechanism with the following features to govern and monitor the selection process for our potential bidders:

(a) the Internal Tender Review Committee, which comprises members appointed by the independent non-executive Directors and accountable to the independent non-executive Directors, is responsible for reviewing the terms and conditions of tenders and screen out unsuitable tenders, which shall also comply with the requirements of the relevant laws and regulations. The members of the Internal Tender Review Committee include the heads of our Group's tender department and the relevant project general managers of our Group. The appointment of the members of the Internal Tender Review Committee by the independent non-executive Directors is based on nominations by the executive Directors and relevant senior management of our Group. Ms. Zhou Li shall abstain from such nomination process;

(b) objective criteria for identifying potential bidders, such as the price, quality of construction work, size of the project, construction schedule and other required services, is prescribed by the Internal Tender Review Committee in relation to each of our projects and each criterion must be approved by the Internal Tender Review Committee;

(c) the relevant project company will contact qualified potential bidders and require them to provide information regarding their qualifications, industry experience and the size and composition of their management teams; and

(d) the relevant project company will be responsible for compiling a list of qualified potential bidders in accordance with the prescribed criteria laid down by the Internal Tender Review Committee and the relevant project company will issue tender application documents to three to five qualified bidders. In the event that Nanjing Huizhi Construction Installation Engineering Company Limited is chosen as one of the potential construction companies after the selection process described above and it submits a completed tender application document to the relevant project company, the relevant project company will submit Nanjing Huizhi Construction Installation Engineering Company Limited's tender application document to the Internal Tender Review Committee for review and approval. The Internal Tender Review Committee will only approve Nanjing Huizhi Construction Installation Engineering Company Limited's application if Nanjing Huizhi is considered to have a competitive advantage in the relevant market in which the relevant project will be situated.

Shortlisted qualified bidders shall submit tender documents to us or the tendering agency appointed by us. The assessment committee established by us is responsible for reviewing tenders and selecting a tender for acceptance according to applicable laws and regulations. According to the Measures on the Tender and Commencement of Construction Projects (工程項目建設施工招標投標辦法), the selected industry expert(s) will be disqualified if he/she is found to have a conflict of interest. After the assessment committee has selected a tender for acceptance, we will award the constructions contract to the successful bidder.

(ii) Independent Review of Construction Services Provided by Nanjing Huizhi Construction Installation Engineering Company Limited

In addition, we have also put in place the following procedures with a view to monitoring the quality of construction work carried out by Nanjing Huizhi Construction Installation Engineering Company Limited if it is selected to provide construction services to the Group after the above tender and selection procedures:

(a) monthly reports regarding the construction progress and the quality of construction services prepared by independent qualified engineering supervisory companies will be provided to the independent non-executive Directors, and the views and recommendations of the independent non-executive Directors will be adopted by the Company; and

(b) written approval from the Internal Tender Review Committee is required if Nanjing Huizhi Construction Installation Engineering Company Limited seeks to modify the scope of work, construction schedule or other relevant information as provided in the construction contract.

The Directors believe that the above selection and review mechanism will ensure that the terms of the Construction Cooperation Framework Agreement are conducted on normal commercial terms and are in the best interests of our Company and our independent Shareholders as a whole. In the Reporting Period, the mechanisms have been effective and operated accordingly.

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

All the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that those transactions had been entered into:

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

(2) either on normal commercial terms or better; and

(3) according to the relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

CONFIRMATIONS FROM THE COMPANY'S INDEPENDENT AUDITORS

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditor of the Company to perform review procedures on the aforesaid continuing connected transactions. Based on the work performed, the auditor of the Company had provided a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) have been approved by the Directors;

(ii) were entered into in accordance with the pricing policies of the Group;

(iii) were entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iv) did not exceed the annual cap amounts.

EMOLUMENT POLICY

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

The Company has adopted a pre-IPO share incentive scheme on 5 January 2016 (the "**Pre-IPO Share Incentive Scheme**") to recognize and reward the contribution of certain directors and senior management (the "**Target Participant(s)**") who have or may have made to the growth and development of the business(es) of the Group.

Under the Pre-IPO Share Incentive Scheme, the Group allocated 17.5% of the total equity interest (the "**Incentive Equity Interest**") in Sanya Hui Xin Trading (representing approximately 3% effective interest in Sanya Fenghuang Shuiyun) held by Mr. Yang Jinhe or Mr. Fang Jing, both of whom held such interest on trust for Mr. Yeung to the Target Participants. The Target Participants entered into trust agreements with Mr. Yeung, Mr. Yang Jinhe, Mr. Fang Jing, Zhonghui (China) Investment Company Limited and the Company on 5 January 2017, pursuant to which the Incentive Equity Interest shall be held on trust by Mr. Yang Jinhe or Mr. Fang Jing for the Target Participants until such Incentive Equity interest are vested in the relevant Target Participant in accordance with the provision of the Pre-IPO Share Incentive Scheme. The Target Participants can exercise his/her rights in the abovementioned Incentive Equity Interest at nil consideration after their completion of three service years (commenced from the date of trust agreement) in the Group and satisfaction of the achievement targets in these three consecutive years.

The table shows the details of each Target Participant under the Pre-IPO Share Incentive Scheme in Sanya Hui Xin Trading as at 31 December 2017.

Holders	Outstanding equity interest in Sanya Hui Xin to be acquired under the options	Position	Consideration of Pre-IPO Equity Interest	Equity Interest in Sanya Hui Xin being granted	Exercise Price	Date of Grant	Vesting Period	The period during which share options are exercisable	Cancelled/ lapsed options (where applicable)
Ms. Zhou Li	6.5625%	Executive Director and Chairman	Nil	6.5625%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil
Mr. Huang Annan	(note 1)	Executive Director and general manager	Nil	6.5625%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Lapsed (note 1)
Ms. Fan Wen Yi	1.75%	Executive Director and deputy general manager of operation	Nil	1.75%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil
Ms. Wu Lijuan	(note 1)	Chief Financial Officer	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Lapsed (note 1)
Mr. Wang Tao	(note 1)	Chief Marketing Officer	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Lapsed (note 1)
Ms. Zhao Lin	0.525%	Chief Administration Officer	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil

Holders	Outstanding equity interest in Sanya Hui Xin to be acquired under the options	Position	Consideration of Pre-IPO Equity Interest	Equity Interest in Sanya Hui Xin being granted	Exercise Price	Date of Grant	Vesting Period	The period during which share options are exercisable	Cancelled/ lapsed options (where applicable)
Mr. Chen Xiang	0.525%	Executive Director	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Nil
Ms. Wang Pei	(note 2)	Non-executive Director	Nil	0.525%	Nil	January 5, 2016	Three years from the date of grant	No expiration date	Lapsed (note 2)
Total	9.3625%			17.50%					

Note

1. Mr. Huang Annan resigned as an executive Director on 29 March 2017, Ms. Wu Lijuan resigned as the head of financial management division of the Company on 15 April 2017 and Mr. Wang Tao resigned as the chief marketing officer of the Company on 26 July 2017. Therefore, they cannot fulfil their commitment to 3 years of service from the date of grant under the Pre-IPO Share Incentive Scheme.

2. Mr. Wang Pei failed to achieve the performance target as required under the Pre-IPO Share Incentive Scheme.

Save as disclosed above, no further Incentive Equity Interest has been offered under the Pre-IPO Share Incentive Scheme and no further Incentive Equity Interest will be offered thereunder on or after the Listing Date. For further details, please refer to note 24 of the financial statements. Save as disclosed above, the Company doesn't have any equity linked agreement.

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there is no material events affecting the Group after the end of Reporting Period.

AUDIT COMMITTEE

The annual results and the audited consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee of the Company. Information on the work of the Audit Committee and its composition are set out in section headed "Corporate Governance Report" on page 28 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code for the year ended 31 December 2017.

CORPORATE GOVERNANCE

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by KPMG who shall retire at the forthcoming Annual General Meeting. A resolution will be proposed at the Annual General Meeting to re-appoint KPMG as the auditor of the Company for the ensuing year.

On behalf of the Board

Zhou Li
Chairperson

Hong Kong, 28 March 2018

Environmental, Social and Governance Report

ABOUT THE GROUP

Hailan Holdings Limited (the "Company", or together with its subsidiaries, collectively "Hailan Holdings" or the "Group") is a property developer located in Hainan Province with primarily activities in property development and property investment. The Group engages in the business of residential property in Hainan Province. Its projects include commodity residential properties, commercial properties and hotels. Property investment projects of the Group includes residential property leasing and parking lots located in tourist destinations like Sanya, Haiko and Danzhou and targets at mid- and high-income vacationers from all over the country who spend their holidays in Hainan Province.

Hailan Holdings is rooted in the international tourism island of Hainan, focusing on the development of high-end properties in tourist areas. The Group upholds four principle values – "Standardisation, Innovation, Mutual Success and Excellence" and strives to become a comprehensive developer and operator for creating a better living environment.

Hailan Holdings was listed on the main board of the Stock Exchange of Hong Kong Limited in 2016. The Group did not undertake any major acquisitions and sales during the year ended 31 December 2017.

ABOUT THIS REPORT

This report is the second Environmental, Social and Governance ("ESG") report published by Hailan Holdings. By reporting policies, measures and performances of the Group in environmental, social and governmental aspects, it enables all stakeholders to have a better overview of the progress and development direction of the Group. Available in both Chinese and English, the report has been uploaded to the websites of The Stock Exchange of Hong Kong Limited ("SEHK") and the Company (www.hailanholdings.com).

REPORTING BOUNDARY

This ESG report covers the year ended 31 December 2017 ("this year") and focuses on the residential property development related operation of Hailan Holdings in its headquarters in Sanya, Hainan Province. For easy comparison of the Group's yearly performance, the structures of the two reports align as closely as possible. While this report does not cover all of the Group's operations, the Group is continuously improving its internal data collection procedure and will gradually expand the scope of disclosure.

REPORTING STANDARD

This report is prepared in accordance with the "comply or explain" provisions of Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") launched by the SEHK. The four reporting principles- materiality, quantitative, balance and consistency form the backbone of this report. This report also selects additional key performance indicators ("KPIs") under the "recommended disclosures" set out in the ESG Reporting Guide" considering the actual situation of the Group, in order to provide a more complete disclosure. 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 according to the GHG Emissions Accounting Methods and Reporting Guidelines (interim) for the public construction operation business.

CONFIRMATION AND APPROVAL

Information disclosed in this report is collected from the official documents, statistical data, management and operational information of and collected by Hailan Holdings according to the policies of the Group. The report has been confirmed by the administrative team of the Group and was approved by the board of directors in March 2018.

OPINION AND FEEDBACK

Hailan Holdings values the opinion of stakeholders. If you have any questions or suggestions regarding the content or format of the report, please contact the Group by email hailankonggu@hailanholdings.com.

MANAGEMENT MESSAGE

"LEVERAGING ITS ENVIRONMENTAL CAPABILITIES, THE GROUP STRIVES TO MAKE ONE PLUS ONE EQUALS THREE."

Awareness of environmental and ecological problems is growing in international community. A sustainable mode of development is inevitable regardless of one's industry or geographical region. Environmental awareness has significantly increased in China over recent years and it has provided a positive impact on the global effort in continuously promoting environmental protection. In this context, Hailan Holdings publishes its second ESG report to illustrate its performance in sustainability management.

As the standard of national environmental assessment is significantly raised, the government pays extra attention to the preservation of water, soil and landforms. While it poses new challenges to the property development sector, it also offers the Group new opportunities. Hainan Province is gifted with its geographical environment. The Group takes into consideration a number of environmental factors when developing projects to make sure that the coastal region and the environment nearby receive proper protection.

To reduce the environment pressure caused by its operation, this year the Group fully switched to a solar power heating system, replacing diesel stove for supplying domestic hot water, and reduced the use of fuels. The Group is considering to take further steps in emission management and adoption of renewable energy. To improve the quality of air, the Group fully complies with the environmental monitoring initiatives conducted by government departments.

The Group is keen on maintaining smooth internal communication to gather the opinion of all staff and encourage them to engage and seek help from their seniors in an open manner. Through regular outreach activities, staff could understand their fellow team members from different perspectives and increase their sense of belonging.

Providing staff with appropriate welfare is another important direction for the Group to pursue sustainable development. To protect our staff, the Group arranges body checks for staff, formulates safety manuals and establishes a safety management team to supervise projects.

In the future, Hailan Holdings will continue to aim at providing excellent residential projects and living experience. As we keep upgrading the product quality, the Group strives to conserve the environment in the hope of creating the best ecological environment with green projects to achieve synergy.

Zhou Li
Chairperson of the Board

STAKEHOLDER ENGAGEMENT

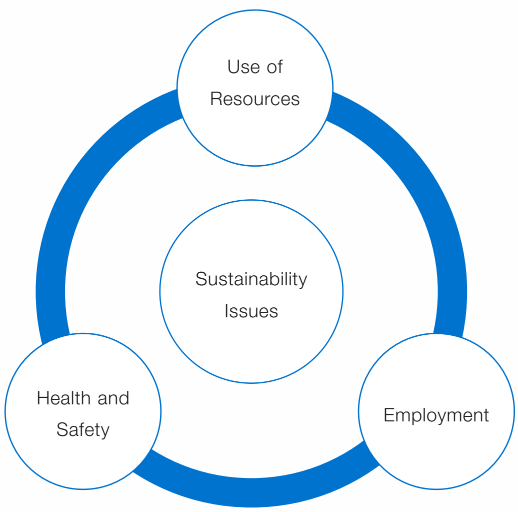
MAIN MEANS OF STAKEHOLDER ENGAGEMENT DURING THIS YEAR

In the business management of Hailan Holdings, stakeholder[1] participation helps the Group review potential risks and business opportunities. Exchange with stakeholders and understanding their views allow the Group to better fulfil their needs and expectations with its business practice and manage different stakeholders' opinions. The Group constantly communicates with key internal and external stakeholders via various channels. This ensures that they have the opportunity to learn about the Group's development and operation directions and offers the Group the chance to listen to them in order to identify the priority of issues and develop corresponding policies.

MATERIAL SUSTAINABILITY ISSUES IN THE REPORTING PERIOD

Similar to last year, to formulate the Group's sustainability strategy and direction and to identify the most important environmental and social issues for the Group and its stakeholders, Hailan Holdings commissioned an independent consultancy to conduct a management interview. Combining the results of interview and expert advice, the Group selects three environmental and social issues from the ESG Reporting Guide to be the focus of this report.

To ensure the effectiveness of stakeholder engagement, Hailan Holdings dedicates itself to establishing communication mechanisms for transparency, integrity and accuracy and providing timely response. In the future, the Group will strengthen its interaction with stakeholders to develop more diverse channels to gain exposure to stakeholders and create mutually beneficial relationships.



[1] Stakeholders refer to groups or individuals materially influencing or affected by the Group's business, they include internally the directors, management, staff and externally clients, partners, investors, monitoring organisations and various community groups.

PROTECTING THE ENVIRONMENT

Hailan Holdings emphasises environmental protection and seeks to enhance efficiency in the use of natural resources and reduce the environmental impact of its business operation. The Group has officially implemented the Environmental Protection Management System in 2017. Upholding the principles of "prevention first, preventive control, comprehensive solution", the Group has formulated a series of management guidelines covering environmental monitoring, daily environmental management, specific project environmental management and environmental incident management.

USE OF RESOURCES

136MWh
Electricity consumption

1,757kg
Paper consumption

1,481 cubic meter
Water consumption

For office operation, the Staff Workplace Management Standard describes specific management measures related to efficient use of resources, including the practice of switching off lighting during lunch break, which is estimated to reduce yearly electricity consumption by 17MWh. Besides, the Group's lighting system has fully adopted LED energy-saving light tubes to increase energy efficiency. Office daily operation involves a significant amount of documents. Through the information management system, the Group aims at creating a paperless environment. Staff could reduce paper consumption by conducting internal document approval and downloading training materials through the system. At present, all water used in the office is sourced from municipal water supply. The Group encourages water recycling, for example, by connecting the washbasin outlet pipe to a water storage tank to use waste water for toilet flushing. Besides, the Group conducts regular inspection of each operation stage to minimise leakage and wastage.

In its Environmental Protection Management System, Hailan Holdings lists its works of clean operation in construction projects, including the adoption of clean energy such as solar power and wind power. This year, the Group adopted solar power water heating system to replace diesel stove for supplying domestic hot water for domestic use in all its projects in order to reduce the use of fuel. Double layer glass with good insulation and thermal insulation properties were also used to reduce building energy consumption.

EMISSIONS

Greenhouse gas emissions are closely linked to global warming. All countries are formulating carbon reduction measures and targets.

This year, Hailan Holdings commissioned a professional consultancy, CCA, to conduct a carbon assessment for the first time to quantify the greenhouse gas emissions of its operation. The total carbon emission of the Group's headquarters in Sanya, Hainan Province is 84 tonnes CO2-e, of which 85% is contributed by use of electricity.

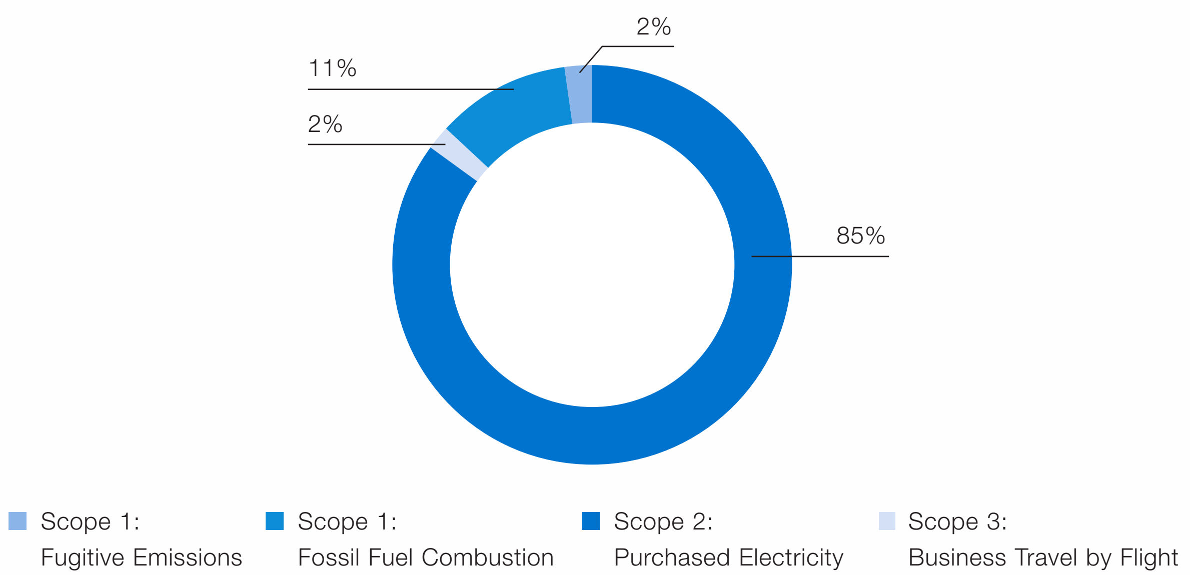
To respond to the country's goal of mitigating climate change and achieving low carbon development transformation, Hainan Holdings will carry out research on formulating long-term carbon reduction target, including understanding the internal use of resources and reviewing the effectiveness of current carbon reduction measures. Statistics of this year's carbon emission will serve as the baseline for future comparison and the formulation of appropriate carbon reduction targets and plans.

Apart from emission of greenhouse gases, the use of petrol also generates exhaust gases, causing roadside and urban air pollution. With regard to company vehicles, the Group will enhance monitoring of fuel consumption and continue to promote electronic communications to reduce the need for business travel. For exhaust gas emission of this year, please refer to KPI Summary at a Glance on page 65.

This year Hailan Holdings also began to measure the amount of waste generated. Due to the nature of office operation, the non-hazardous waste produced is mainly domestic waste and is collected by the property management company to be landfilled or incinerated. In the future, the Group plans to implement waste sorting, promote recycling in the office and provide clearer sorting guidance for staff as well as encourage them to reduce waste at source. For the waste production of this year, please refer to the KPI summary at a Glance on page 65.

In relation to construction projects, Hailan Holdings has published the Notice on the Regulation of Waste Discharge of Construction Projects, requiring all business units to strictly comply with the relevant laws and regulations of China in terms of waste discharge, drainage design and construction. The Design and Engineering Director is responsible for assessing the design and construction plans and monitoring the entire process according to the project management policies and guidelines of the Group, in order to avoid deviation from waste discharge standard due to design failures or delay in construction.

Greenhouse Gas Emissions (by emission source)



THE ENVIRONMENT AND NATURAL RESOURCE

In accordance with the requirements of laws and regulations, Hailan commissions an independent third-party environmental consultant to conduct environmental impact assessments for all completed and under construction projects to identify the potential impact of the projects and look for alternative solutions or measures to reduce pollution.

This year, to enhance management of environmental incident and environmental risks, the Group formulates the relevant management requirements. In case of pollution incidents, the relevant departments must immediately adopt emergency response measures and begin investigation to prevent and control the hazard concerned. When signing construction contracts with external contractors, the Group makes sure that both parties understand the environmental requirements and standards of the project. The construction units responsible for environmental complementary facilities must hold relevant identification documents to prove their relevant qualifications and prevent pollution in the process of construction.

This year, there were no internal reported cases or cases of non-compliance in relation to emissions and the environment within the Group.

TREASURING OUR STAFF

EMPLOYMENT

Hailan Holdings is committed to creating a diverse, inclusive and respectful working environment. This is in line with the corporate value of the Group and helps improve the Company's competitiveness and staff productivity. The Group prescribes employment terms related to remuneration, recruitment, dismissal, work hours, equal opportunities, anti-discrimination and related human resources management issues in the Staff Handbook.

To attract and retain quality talents, the Group offers additional welfare benefits, including elderly pension, medical insurance, unemployment insurance, work injury insurance and birth insurance as well as body checks, festive expense, meal subsidies, car purchasing rewards and travel rewards, on top of what is prescribed by laws and regulations.

100% staff received **regular performance and career development reviews**

Hailan Holdings is concerned with the career development of staff and encourages them to formulate their own career development plan. The Group has in place an internal recruitment procedure and encourages staff to apply for our vacancies. High performing staff will receive opportunities of promotion and development. Besides, the Group conducts staff performance review on monthly, quarterly, half-yearly and yearly basis and use the assessment results as a basis for distributing bonuses. Feedback in the performance review helps staff improve their performance continuously.

Hailan Holdings strives to promote diversity and inclusiveness in the workplace to ensure equal opportunity of employment and promotion. Staff will not receive differential treatment due to factors such as lineage, birth or marital status, race, religion, age, nationality, social or ethnic groups, sexual orientation, gender, political view or disabilities. The Group has formulated the board diversity policy. In the future, the Group will review the current policy and evaluate on how to refine the Employment Guideline in relation to equal opportunities, diversity and anti-discrimination.

Hailan Holdings encourages staff to maintain two-way communication with their seniors. They can discuss any difficulties at work with their senior through various channels such as email, interview or the Group's information dissemination channels. The Group has established the 'Staff Home' platform. Apart from providing various information about the Company such as news and announcement, internal periodicals, new government policies and staff activity updates, it also provides an online exchange platform for staff to save personal files and express their opinion in forums, knowledge centres and personal blogs.

In case of any personal interest violation, the staff could lodge a verbal or written complaint to the division management or the general manager. Upon receiving the complaint, the Group will conduct an investigation into the staff concerned and decide on the method of handling the matter based on the results of investigation. Exit interviews will be arranged between the resigning staff and the human resources department or his/her supervisor to gather feedback from staff.

In this year, there were no cases of non-compliance related to labour and employment practices nor complaints in relation to discrimination within the Group.

HEALTH AND SAFETY

Hailan Holdings regards occupational health and safety as its most important aspect of corporate risk management. The Group not only strictly implements relevant laws and regulations but also proactively formulates internal policies and standards related to specific business departments of the Group. The Group's Staff Handbook emphasises safety disciplines including the execution of safety system, the 5s management[2] of workplace, protection and operation standards of construction safety, etc. Staff should abide by the Production Safety Law and the Group's safety management regulations and follows the relevant requirements of safety system certifications. The Group arranges health checks for staff with over one year of service once a year to ensure their physical health. The Group also provides them with a Work Safety Handbook to enhance their safety awareness.

The Group has established an internal policy on safety management and has assigned different safety compliance duties to different teams in order to reduce potential risk with clear division of labour. In relation to construction sites, the engineering management department of Hailan Holdings is responsible for security management and prevention of construction site accidents while the safety management team is in charge of the monitoring of the entire construction process of the project to protect safety of staff.

In this year there were no cases of non-compliance in relation to health and safety or work-related injury within the Group.

DEVELOPMENT AND TRAINING

Hailan Holdings emphasises the career development of staff and encourages staff to formulate their individual career planning plan. The Group conducts human resources planning and talent assessment every year to determine staff training and development direction and to provide specific training in response to the duties and actual needs of different departments. Internal and external trainings include professional courses, in-service counseling, job rotation training and field study. Besides, the Group subsidises staff's continued learning to build their knowledge management platform.

100% staff
received training

Average duration of training per staff
36 hours

Phoenix Water City Staff Outdoor Outreach Activities
To promote communication between various departments, Hailan Holdings organised outdoor outreach activities for staff this year where staff form their own teams to experience difficulties and challenges with their teammates. Through the activity, staff could experience the role of the management to learn proper division of labour and develop team spirits to break down communication barriers between departments.

[2] 5s management refers to five traits: organization, rectification, clearing, cleaning and personal qualities.

LABOUR STANDARDS

Hailan Holdings understands that child labour and forced labour violate fundamental human rights and international labour conventions and may constitute threat to the social and economic sustainability. According to the Staff Handbook, the Group strictly complies with the law in its recruitment process to prohibit the hiring of individuals aged under 16 and any form of forced labour or involuntary labour. The Group will review the actual age of new hires by checking their identity documents and making detailed records. Under the overtime work management system of the Group, staff could receive rest periods or overtime subsidy based on the nature of overtime work to avoid involuntary overtime work. The Group respects staff's right of association and collective bargaining by legal and peaceful means.

In this year, there were no cases of non-compliance in relation to child labour or forced labour within the Group.

OPERATING RESPONSIBLY

SUPPLY CHAIN MANAGEMENT

Proper management of the supply chain is key to maintaining the Group's brand and reputation, ensuring business continuity and managing costs of operation. The Group values its cooperation with suppliers and contractors, since they are important business partners and the Group hopes that a long term, stable supply chain can be established through cooperation. In pursuit of this goal, Hailan Holdings has formulated the Supplier Management Practice Guide to regulate management of construction projects and suppliers of services. The Guide defines the main duties of relevant departments of the Group and provides clear guidance with regard to procedures such as the ranking and categorisation management of suppliers, qualifications management, selection and assessment, relationship maintenance and conflict management and handling of noncompliance.

Hailan Holdings encourages contractors and subcontractors to use more environmentally friendly equipment and facilities and to adopt or develop more environmentally friendly new technologies. When contracts are signed with external subcontractors, the Group will make sure that both parties understand the environmental requirements and regulations. Units responsible for environmental facilities must hold relevant certificates from their seniors or government departmental heads. Construction units must avoid pollution at all costs during their work. In case of vegetation damage, the construction unit must adopt recovery measures to reduce the impact on the environment.

Hailan Holdings equally values the social performance of its supply chain. In this year, the Group issued an open letter to remind all partner units to refrain from offering gifts or benefits of any kind to staff of the Group. Companies will be removed from the Group's directory of partners for non-compliance. The Group encourages partners to lodge complaints against or report on staff who request for benefits. Both the Group and its partners have to sign the Anti-Corruption Agreement and abide by laws and regulations of the country and the Group in relation to anti-corruption. At the same time, the Group also requires construction contractors to assume responsibility for protecting its workers' safety on the construction site and purchase insurance for them.

PRODUCT RESPONSIBILITY

Hailan Holdings has formulated a quality control procedure to conduct regular monitoring through the internal team and an independent monitoring company to ensure that all projects comply with relevant regulations and the standards of the Group in every stage so that quality and safe buildings can be provided for the public. Before delivering the property to the buyer, the customer service management department and the quality monitoring company will conduct a final check to ensure the quality of the property meets the prescribed standard.

Internal design and engineering department	Independent construction monitoring company/quality monitoring company
• Monitor the quality control procedure in every stage of the process of property development	• Monitor quality control of all property development projects • Compile quality control plan and project quality control reports • Test quality and safety control performance of the Group's property development projects

Hailan Holdings complies with laws and regulations related to advertising and labeling by stating in detail the maintenance period, definition of maintenance liability and maintenance boundary in the commodity property sales contract, the residential building user guide and residential property quality warranties. In case of any construction problems, clients can reach the Group by visiting the property centre, making a phone appointment or complaining in the WeChat group; the Group will then schedule repair work accordingly.

Apart from formulating quality control and building maintenance procedures, the real estate advertisement of Hailan Holdings complies with the law and refrain from disseminating any misleading information. To protect client's information, the Group has included related confidentiality requirements in the Staff Handbook. To protect clients' interest, staff must keep the Group's confidential documents and internal information safe; these include contracts, agreements, statement of intention, feasibility report and all demand and supply information and client profiles.

In this year, there were no cases of non-compliance within the Group in relation to product responsibility.

ANTI-CORRUPTION

As a responsible corporation, Hailan Holdings strives to prevent illegal behavior such as corruption, bribery, extortion, fraud and money laundering.

The Staff Handbook of Hailan Holdings regulates the code of conduct and work ethics of staff. Staff cannot request or accept remuneration from related business contacts. In case gifts or commissions are received in external business dealings, it should be handed in to the Group according to the Gift Management System. The staff should not use company resources to gain profits. The Group has formulated the Hailan Holdings Whistleblowing System to encourage clients, staff, shareholders and partners to report fraudulent behavior. The Group will keep the identity of the whistleblower strictly confidential. The whistleblower could report to the audit and legal departments anonymously. The Group will also award staff who report non-compliance or offer hints.

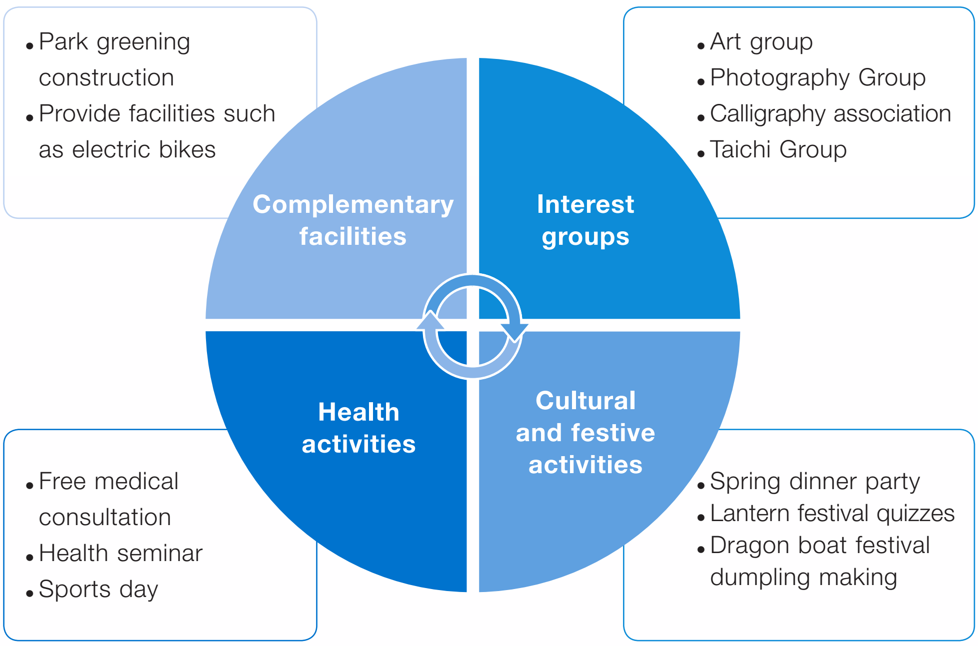
In this year, there were no reported cases, litigation nor cases of non-compliance related to corruption within the Group.

BUILDING A COMMUNITY

COMMUNITY INVESTMENT

The real estate business is closely connected to community building. Hailan Holdings endeavours to understand the needs of the community where it operates. The Group has formulated the Corporate Social Responsibility Work Management Mechanism to include social responsibility efforts in the daily management work planning. When selecting business partners, the Group will give priority to suppliers located in Hainan to strengthen the relationship between the Group and the local community.

By helping to build a healthy and energetic community, Hailan Holdings contributes to sustainable development in the community. Between April and September every year, the Group will organise a large-scale community campaign in Sanya Phoenix Water City. To promote community interaction, the Group initiated diverse community networking activities that include interest groups, health activities and cultural and festive activities. Besides, residents could use a sports mobile app to accumulate personal mileage in exchange for gifts. Residents could also choose to donate their mileages on complementary facilities in the area.



Apart from developing community networking activities, Hailan Holdings liaised with charitable organizations around the area to conduct fund raising activities through an online platform. The Group organised the ‘Read for the Blind’ campaign by utilizing the WeChat platform to allow users donate their voice. Each participating residents donate one minute of reading through their cellphones for the blind.

KPI AT A GLANCE

ENVIRONMENTAL PERFORMANCE

	Category	Quantity
Emissions of exhaust and greenhouse gases (GHG)	Sulphur oxides (kg)	1.16
	Nitrogen oxides (kg)	0.29
	Particulate matter (kg)	0.11
	Total GHG emission (tonnes CO2-e)	84.12
	Scope 1:Direct GHG Emissions	11.06
	Scope 2:Energy Indirect GHG Emissions	71.55
	Scope 3:Other Indirect GHG Emissions	1.51
	GHG intensity (in terms of area, i.e. tonnes CO2-e/sq feet)	0.2

	Category	Quantity
Waste	Production of hazardous waste (tonnes)	No hazardous waste generated within operations of the Group
	Production of non-hazardous waste (domestic waste; tonnes)	3.61
	Intensity of non-hazardous waste (in terms of area, i.e. tonne/square feet)	0.01

	Category	Quantity
Energy use	Total energy consumption of this year (MWh)	172.39
	Direct energy – diesel	36.64
	Indirect energy – electricity	135.75
	Energy intensity (in terms of area, i.e. MWh/square feet)	0.01

	Category	Consumption
Water use	Total consumption (cubic meter)	1,481
	Water intensity (in terms of area per sq feet, i.e. Cubic meter/sq feet)	3.48

SOCIAL PERFORMANCE

1. As this report focuses on the residential property development related operation of the Group in its headquarters in Sanya, Hainan Province, the total number of employees stated below does not cover all operations of the Group.

2. (Due to change in operational model of the Group in 2017, some staff was relocated to another partner company, which accounts for the drop in number of staff in 2017.)

	Gender	Below 30	30-40	41-50	Above 50	Total	Male to female ratio (2017)	Male to female ratio (2016)
Total workforce	Male	0	3	2	1	9	2:1	2:1
	Female	0	2	0	1			

	Employee category	Senior management	Middle management	General staff	Total	Male to female ratio (2017)	Male to female ratio (2016)
Total workforce	Male	5	0	1	9	2:1	2:1
	Female	3	0	0			

		Senior management	Middle management	General staff	Total (2017)	Employee training rate (2017)	Employee training rate (2016)
Number of employee trained	Male	5	0	1	9	100%	71%
	Female	3	0	0			
Hours of training	Male	193.5	0	40	321		
	Female	87	0	0			

		Senior management	Middle management	General staff	Total (2017)	Percentage of employees receiving regular performance and career development reviews (2017)	Percentage of employees receiving regular performance and career development reviews (2016)
No. of employees receiving regular performance and career development reviews	Male	5	0	1	9	100%	92%
	Female	3	0	0			

REPORT CONTENT INDEX

Material Aspect	Content	Page Number/Remark
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	57
A1.1	The types of emissions and respective emissions data	65
A1.2	Greenhouse gas emissions in total and intensity	65
A1.3	Total hazardous waste produced	65
A1.4	Total non-hazardous waste produced and intensity	65
A1.5	Description of measures to mitigate emissions and results achieved	58
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	58
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	57
A2.1	Direct and indirect energy consumption by type in total and intensity	65
A2.2	Water consumption in total and intensity	65
A2.3	Description of energy use efficiency initiatives and results achieved	57
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Drinking water was provided by municipal water sources. The Group has no issues in sourcing waster.
A2.5	Total packaging material used for finished products	The Group's office operation did not use packaging materials.

Material Aspect	Content	Page Number/Remark
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	59
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	
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.	59-60
B1.1 (Partial)	Total workforce by gender and age group	66
B1.2 (Partial)	Employee turnover rate by gender and age group	66
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.	61
B2.1	Number and rate of work-related fatalities	61
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	61
B3.1	The percentage of employees trained by gender and employee category	66
B3.2	The average training hours completed per employee by gender and employee category	66
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	62

Material Aspect	Content	Page Number/Remark
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	62
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	63
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	63
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	63
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	63
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	63
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	64
B8.1	Focus areas of contribution	64

Independent Auditor's Report

Independent auditor's report
to the shareholders of Hailan Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hailan Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 171, which comprise the consolidated statement of financial position of the Group as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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.

KEY AUDIT MATTERS (continued)

<table>
<tr><td colspan="2">Assessing the net realisable value of properties under development for sale and completed properties held for sale ("PUD" and "PHS")</td></tr>
<tr><td colspan="2">Refer to accounting policy note 2(k) and notes 3(a), 16 and 17 to the financial statements</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 31 December 2017, the Group held a number of property development projects located in Hainan province which were stated at the lower of cost and net realisable value at an aggregate amount of RMB3.51 billion.

The calculation of the net realisable value of each property development project at the financial reporting date is performed by the Group's management.

The calculation of net realisable value of PUD and PHS involves significant management judgement and estimation in preparing and updating project feasibility studies and estimations of the costs to complete each property development project as well as in assessing the expected future selling prices for each property (by reference to recent sales transactions in nearby locations and rates of new property sales) and the estimated future selling costs (including price discounts which may be required to stimulate sales) and requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from each property development project.</td><td>Our audit procedures to assess the net realisable value of the Group's PUD and PHS included the following:

• conducting site visits to all property development sites and discussing with management the progress and development budgets reflected in the net realisable value calculations and the latest forecasts for each property development project;

• obtaining and inspecting the net realisable value calculations prepared by management and assessing the qualifications and experience of those individuals who prepared the calculations;

• evaluating the valuation methodology applied by management and comparing the key estimates and assumptions adopted, including those relating to average net future selling prices, with market available data and the sales budget plans prepared by the directors;</td></tr>
</table>

KEY AUDIT MATTERS (continued)

Assessing the net realisable value of properties under development for sale and completed properties held for sale ("PUD" and "PHS") (continued)	
Refer to accounting policy note 2(k) and notes 3(a), 16 and 17 to the financial statements	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified the assessment of net realisable value of the Group's PUD and PHS as a key audit matter because of the inherent risks involved in estimating the costs to complete each property development project and the future selling prices for each property development project, particularly in light of the current economic circumstances in Mainland China.	• evaluating management's budgets, by reconciling the significant cost elements to signed construction contracts, benchmarking the percentage of each cost component, and assessing if they are updated on a timely basis to reflect any changes in implementation of management's plans; • re-performing the calculations made by management in arriving at the year end assessments of net realisable value on a sample basis and comparing the estimated construction costs to complete each development with the Group's updated budgets; • performing sensitivity analyses to determine the extent of changes in those estimates and assumptions which, either individually or collectively, would be required for the PUD and PHS to be materially misstated and considering the likelihood of such a movement in those key estimates arising.

KEY AUDIT MATTERS (continued)

Assessing the recoverability of deferred tax assets	
Refer to accounting policy note 2(q) and notes 3(b) and 25(b) to the financial statements	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2017, the Group had recognised deferred tax assets of RMB140.9 million, mainly in respect of the accrued expenses and future benefit of accumulated tax losses considered to be recoverable against future taxable profits within a certain period before the tax losses expire. The estimate of future taxable profits requires management's judgement and interpretation of tax laws as well as management's estimate of future taxable profits. The estimate of future taxable profits includes consideration of, inter alia, the timetable for the construction and sale of properties on vacant land held by the Group for future development. The recoverability of recognised deferred tax assets could vary significantly if different assumptions are applied in estimating future taxable profits and the ability to utilise the accumulated tax losses. Given the inherent uncertainties in these estimations by management there is a risk that the deferred tax assets recognised in the Group's consolidated statement of financial position may be over-estimated or under-estimated and any adjustment would directly affect the Group's profit and the effective tax rate for the period.	Our audit procedures to assess the recoverability of deferred tax assets included the following: • obtaining and inspecting the development plans and forecast of taxable profits prepared by management and comparing the estimate of future taxable profits with the accumulated tax losses; • assessing the principles and integrity of the model used to forecast taxable profits by comparing the key assumptions (including unit selling prices, budget unit costs and administration and other costs) with the Group's development plans; • considering the historical accuracy of such development plans by comparing key data with internal and external documents (including approval certificates and milestone documentation) and challenging management as to whether the development plans needed to be adjusted for any delays identified in the Group's property development projects; • comparing the key estimates and assumptions adopted in the sales budget plans prepared by the directors, including those relating to average net future selling prices, with market available data;

KEY AUDIT MATTERS (continued)

Assessing the recoverability of deferred tax assets (continued)	
Refer to accounting policy note 2(q) and notes 3(b) and 25(b) to the financial statements	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified the recoverability of deferred tax assets as a key audit matter because of the inherent risk of error associated with management's estimate of future taxable profits.	• re-performing calculations made by management in determining the forecast taxable profits and performing sensitivity analyses to determine the extent of changes in those estimates that management used in the calculation which, either individually or collectively, would have a significant adverse impact on the forecast taxable profits; • assessing the appropriateness of the application of tax laws, the appropriateness of tax deductions and the ability to offset forecast taxable profits against the accumulated tax losses with the assistance of our internal tax specialists; • assessing whether the related disclosures in the Group's consolidated financial statements were consistent with the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Assessing the ownership risk of land use right	
Refer to accounting policy note 2(r) and note 29(b) to the financial statements	
The Key Audit Matter	**How the matter was addressed in our audit**
On 17 January 2018, a subsidiary of the Group, Hainan Nanhai Xiang Long Properties Development Limited ("Nanhai Xiang Long") received a decision issued by the Haikou People's Government (the "Decision") in relation to its confiscating a parcel of land (the "Haikou Land") held by Nanhai Xiang Long, for the reason that the land parcel has not been developed according to the timeline as stipulated in the land use right contract. As of the approval date of these financial statements, the directors, after seeking legal opinion, consider that the Group has reasonable grounds to challenge the Decision and that therefore, taking account of all available evidence, it is not more likely than not that a present obligation to surrender the land without compensation exists at the end of the reporting period. No provision has therefore been made in respect of the Decision. We identified the assessing the ownership risk of the land use right relating to the Decision as a key audit matter because whether to make a provision is based on a significant degree of management judgement due to uncertainties in relation to the outcome of the litigation and may be subject to management bias.	Our audit procedures to assess the ownership risk of land use right included the following: • obtaining and inspecting the documentation relating to the Haikou Land, including land use right contract, land use right certificate, correspondences between local government and Nanhai Xiang Long, and comparing this information to that mentioned in the Decision; • discussing the status and potential exposures in respect of the litigation with management and the Group's external legal counsels and obtaining their opinions on the likely outcome of the litigation based on current facts and circumstances and available information; and • challenging the assumptions and critical judgement made by management which impacted the assessment of the outcome of the litigation by inspecting the underlying contract and relevant underlying documentation, comparing with market available information and assessing whether there were any indicators of management bias.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe those 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 Frankie C. Y. Lai.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Turnover	4	2,005,308	1,400,827
Cost of sales		(1,114,934)	(974,095)
Gross profit		890,374	426,732
Other income	5	453	143
Change in fair value of investment properties	13	–	5,938
Selling and distribution expenses		(53,111)	(67,764)
Administrative expenses		(48,480)	(74,638)
Other expenses	5	(140)	(7,003)
Operating profit		789,096	283,408
Finance income		8,967	1,128
Finance costs		(17,231)	(53,126)
Net finance costs	6(a)	(8,264)	(51,998)
Profit before taxation		780,832	231,410
Income tax	7	(521,320)	(183,366)
Profit for the year		259,512	48,044
Attributable to:			
Equity shareholders of the Company		251,181	65,012
Non-controlling interests		8,331	(16,968)
Profit for the year		259,512	48,044

The notes on page 86 to 171 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Earnings per share			
Basic and diluted (RMB)	11	**0.84**	0.25
Profit for the year		**259,512**	48,044
Other comprehensive income	10		
Item that may be reclassified subsequently to profit or loss			
Income from changes in fair value of available-for-sale financial assets		**1,749**	–
Item that will not be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of the Company		**(15,232)**	8,575
Other comprehensive income for the year		**(13,483)**	8,575
Total comprehensive income for the year		**246,029**	56,619
Attributable to:			
Equity shareholders of the Company		**237,698**	73,587
Non-controlling interest		**8,331**	(16,968)
Total comprehensive income for the year		**246,029**	56,619

The notes on page 86 to 171 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	12	45,587	49,367
Investment properties	13	48,788	172,600
Intangible assets	14	660	815
Long-term receivables	18	13,995	–
Deferred tax assets	25(b)	140,935	87,815
		249,965	310,597
Current assets			
Properties under development	16(a)	2,328,981	2,333,986
Completed properties held for sale	17	1,177,299	1,807,600
Trade and other receivables	18	162,979	174,634
Current tax assets	25(a)	127,516	72,208
Available-for-sale financial assets	19	209,830	100,000
Restricted cash	20	41,235	14,635
Cash and cash equivalents	21(a)	896,833	451,182
		4,944,673	4,954,245
Total assets		5,194,638	5,264,842
Current liabilities			
Trade and other payables	22	1,991,832	1,828,823
Loans and borrowings	23	–	272,511
Current tax liabilities	25(a)	740,102	238,919
		2,731,934	2,340,253
Net current assets		2,212,739	2,613,992
Total assets less current liabilities		2,462,704	2,924,589

The notes on page 86 to 171 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current liabilities			
Loans and borrowings	23	–	701,342
Deferred tax liabilities	25(b)	527,183	534,733
		527,183	1,236,075
Net assets		1,935,521	1,688,514
Equity			
Share capital	26	2,585	2,585
Reserves	26	1,785,860	1,751,676
Accumulated losses		(181,874)	(385,388)
Total equity attributable to equity shareholders of the Company		1,606,571	1,368,873
Non-controlling interests		328,950	319,641
Total equity		1,935,521	1,688,514

Approved and authorized for issue by the board of directors on 28 March 2018.

)
) **Zhou Li**
) *Director*
)

The notes on page 86 to 171 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	Share capital RMB'000 Note 26(c)	Share premium RMB'000 Note 26(d)(i)	Other reserve RMB'000 Note 26(d)(ii)	Statutory surplus reserve RMB'000 Note 26(d)(iii)	Changes in fair value of available-for-sale financial assets RMB'000	Accumulated losses RMB'000	Exchange reserve RMB'000 Note 26(d)(iv)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016		10,359	–	1,416,339	85,156	–	(420,828)	–	1,091,026	294,656	1,385,682
Changes in equity for 2016:											
Profit for the year		–	–	–	–	–	65,012	–	65,012	(16,968)	48,044
Other comprehensive income		–	–	–	–	–	–	8,575	8,575	–	8,575
Total comprehensive income for the year		–	–	–	–	–	65,012	8,575	73,587	(16,968)	56,619
Arising from re-organization	26(c)(i)	(10,359)	–	(24,757)	–	–	(1,709)	–	(36,825)	36,825	–
Capitalisation issue	26(c)(ii)	1,939	(1,939)	–	–	–	–	–	–	–	–
Issue of ordinary shares by initial public offering ("IPO"), net of issuance costs	26(c)(iii)	646	238,730	–	–	–	–	–	239,376	–	239,376
Equity settled share-based transactions		–	–	–	–	–	1,709	–	1,709	5,128	6,837
Appropriation to statutory reserves		–	–	–	29,572	–	(29,572)	–	–	–	–
At 31 December 2016 and 1 January 2017		2,585	236,791	1,391,582	114,728	–	(385,388)	8,575	1,368,873	319,641	1,688,514
Changes in equity for 2017:											
Profit for the year		**–**	**–**	**–**	**–**	**–**	**251,181**	**–**	**251,181**	**8,331**	**259,512**
Other comprehensive income		**–**	**–**	**–**	**–**	**1,749**	**–**	**(15,232)**	**(13,483)**	**–**	**(13,483)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**1,749**	**251,181**	**(15,232)**	**237,698**	**8,331**	**246,029**
Equity settled share-based transactions		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**978**	**978**
Appropriation to statutory reserves		**–**	**–**	**–**	**47,667**	**–**	**(47,667)**	**–**	**–**	**–**	**–**
At 31 December 2017		**2,585**	**236,791**	**1,391,582**	**162,395**	**1,749**	**(181,874)**	**(6,657)**	**1,606,571**	**328,950**	**1,935,521**

The notes on page 86 to 171 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Cash generated from operations	21(b)	1,817,861	1,148,430
Income tax paid		(136,115)	(125,876)
Net cash generated from operating activities		1,681,746	1,022,554
Investing activities			
Interest received		8,712	1,128
Payment for the purchase of property, plant and equipment		(39)	(179)
Payment for purchase of available-for-sale financial assets		(208,081)	(100,000)
Receipt from redemption of available-for-sale financial assets		100,255	–
Proceeds from shares transfer of a subsidiary		–	10,000
Proceeds from sales of property, plant and equipment		74	532
Proceeds from disposal of other investment		–	895
Net cash used in investing activities		(99,079)	(87,624)

The notes on page 86 to 171 form part of these financial statements.

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Financing activities			
Proceeds from issuance of new shares, net of relevant expenses		–	239,376
Proceeds from new interest-bearing loans		–	769,000
Repayment of bank loans	21(c)	(980,000)	(719,000)
Repayment of loan interests	21(c)	(14,207)	(69,256)
Dividends paid		–	(489,630)
Decrease/(Increase) in restricted cash	21(c)	12,463	(10,557)
Net cash to controlling shareholder	30(c)	–	(328,019)
Net cash to non-controlling shareholder	30(c)	(140,040)	(27,228)
Net cash used in financing activities		(1,121,784)	(635,314)
Net increase in cash and cash equivalents		460,883	299,616
Cash and cash equivalents at 1 January		451,182	142,991
Effect of foreign exchange rate changes		(15,232)	8,575
Cash and cash equivalents at end of year	21(a)	896,833	451,182

The notes on page 86 to 171 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi thousands unless otherwise indicated)

1 GENERAL INFORMATION

Mr. Yeung Man (the "Ultimate Controlling Shareholder") beneficially owned and controlled various companies in the Cayman Islands, the British Virgin Islands (the "BVI"), Hong Kong and the PRC which are principally engaged in investment holding, property development, sale and rental of developed property. In preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company was incorporated in the Cayman Islands on 31 August 2015 as an exempted company with limited liability under the Company Law Chapter 22, (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the reorganisation completed on 8 April 2016 (the "Reorganisation"), the Company became the holding company of the companies comprising this group (the "Group").

As all the companies now comprising the Group that took part in the Reorganisation were controlled by the Ultimate Controlling Shareholder before and after the Reorganisation, there was a continuation of the risks and benefits to the Ultimate Controlling Shareholder. The Reorganisation is considered to be a business combination under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations" has been applied. Accordingly, the financial information before the completion of the Reorganisation has been prepared as if the Group had always been in existence.

The Company's shares were listed on the Stock Exchange on 15 July 2016 (the "Listing date") (the "Listing").

2 SIGNIFICANT ACCOUNTING POLICIES

(A) STATEMENT OF COMPLIANCE

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(B) BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries.

The consolidated financial statements of the Group is presented in Renminbi ("RMB"), rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– Investment properties (see Note 2(f))

– Financial instruments classified as available-for-sale (see Note 2(e))

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(C) CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in Note 21(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

(D) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(D) SUBSIDIARIES AND NON-CONTROLLING INTERESTS (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(m) or (n) depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(E) OTHER INVESTMENTS IN DEBT AND EQUITY SECURITIES

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

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

Investments in securities which are not held for trading or are not dated debt or the Group and/or the Company does not have the positive ability and intention to hold to maturity are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(j)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Notes 2(s)(iii) and 2(s)(iv) respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see Note 2(j)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(F) INVESTMENT PROPERTIES

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income (Note 2(s)(ii)).

Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in Note 2(s)(ii).

Transfers to investment properties are made when there is a change in use, evidenced by:

- Commencement of an operating lease (Note 2(i)) to another party, for a transfer from development properties to investment properties.

When the use of a property changes such that it is reclassified as investment properties, its fair value at the date of transfer becomes its cost for subsequent accounting.

(G) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(j)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour; and

- any other costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(G) PROPERTY, PLANT AND EQUIPMENT (continued)

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

The estimated useful lives for the current and comparative year of significant items of property, plant and equipment are as follows:

	Years	Estimated residual value as a percentage of costs
Vehicles	4	5%
Electronic devices	3	5%
Machines, furniture, office equipment and others	5	5%
Buildings	20	5%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(H) INTANGIBLE ASSETS

(i) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(j)).

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative year are as follows:

Software	10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(I) OPERATING LEASE CHARGES

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

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

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as property under development for sales and completed property held for sale (Note 2(k)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(J) IMPAIRMENT OF ASSETS

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

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

– For unquoted equity financial instruments carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity financial instruments carried at cost are not reversed.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(J) IMPAIRMENT OF ASSETS (continued)

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

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

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

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

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(J) IMPAIRMENT OF ASSETS (continued)

(ii) Impairment of other assets

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

– Property, plant and equipment;

– Intangible assets; and

– Investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(J) IMPAIRMENT OF ASSETS (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Financial instruments on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, and reversal criteria as it would at the end of the financial year (see Notes 2(j)(i) and (ii)).

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(K) PROPERTY DEVELOPMENT

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including: land use rights, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 2(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed properties held for sale

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(L) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(M) INTEREST-BEARING BORROWINGS

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

(N) TRADE AND OTHER PAYABLES

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

(O) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short- term commitments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(P) EMPLOYEE BENEFITS

(i) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(ii) Defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

(iii) Share-based payments

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(Q) INCOME TAX

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(Q) INCOME TAX (continued)

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

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

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

  – the same taxable entity; or

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(R) PROVISIONS AND CONTINGENT LIABILITIES

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

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

(S) REVENUE RECOGNITION

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

(i) Sales of properties

Revenue from sales of properties is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers pursuant to the sale agreement. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as receipts in advance.

(ii) Rental income from operating leases

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(S) REVENUE RECOGNITION (continued)

(iii) Dividends

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

(iv) Interest income

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

(v) Government grants

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(T) TRANSLATION OF FOREIGN CURRENCIES

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

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

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

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

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

(U) BORROWING COSTS

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(V) RELATED PARTIES

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(W) SEGMENT REPORTING

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

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

3 ACCOUNTING ESTIMATES

Notes 13, 24, 27 and 29 contains information about the assumptions and their risk factors relating to valuation of investment property, fair value of share options granted, financial instruments and the contingent liabilities. Other key sources of estimation uncertainty are as follows:

(A) WRITE-DOWN OF INVENTORIES FOR PROPERTY DEVELOPMENT

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

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

Given the volatility of the PRC property market and the distinctive nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

3 ACCOUNTING ESTIMATES (continued)

(B) RECOGNITION OF DEFERRED TAX ASSETS

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

(C) PROVISION FOR LAND APPRECIATION TAX ("LAT")

As explained in Note 7(b)(iii), the Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

In determining the amount of LAT, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3 ACCOUNTING ESTIMATES (continued)

(D) RECOGNITION AND ALLOCATION OF CONSTRUCTION COSTS ON PROPERTIES UNDER DEVELOPMENT

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

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

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

4 TURNOVER AND SEGMENT REPORTING

(A) TURNOVER

The principal activities of the Group are development and sales of properties as well as development and lease of properties in the PRC.

Turnover mainly represented income from sales and rentals of properties, net of business tax and other sales related taxes, and was after deduction of any trade discounts.

The amount of each significant category of revenue is as follows:

	2017 RMB'000	2016 RMB'000
Property development:		
– Development projects		
(excluding Danzhou Phase I)	1,805,604	1,348,212
– Danzhou Phase I	158,346	48,462
Investment property rentals	4,959	4,153
Gain on revaluation upon transfer		
of investment properties	36,399	–
	2,005,308	1,400,827

4 TURNOVER AND SEGMENT REPORTING (continued)

(B) SEGMENT REPORTING

Business segments

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the reporting format for the purposes of these consolidated financial statements of the Group.

No geographical segment information is separately presented as the Group's business segments are mainly managed and operated in the Hainan Province of the PRC. The major market of the Group's business segments is the Hainan Province of the PRC.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. There are no inter-segment sales or other transactions within the Group.

For management purposes, the Group is organised into business units based on the line of reporting, and has two reportable operating segments as follows:

I. Development projects (excluded Danzhou phase I but including Danzhou phase II)

All the Group's development projects refer to the development and sales of residential property units conducted in Hainan Province.

II. Danzhou phase I

Danzhou phase I project refers to the development and sales of residential property units conducted under phase I of Danzhou Shuang Lian Property Development Co., Ltd. in Hainan Province (Note 15).

The Group's Chairwoman monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Income taxes are managed on a group basis and are not allocated to operating segments.

4 TURNOVER AND SEGMENT REPORTING (continued)

(B) SEGMENT REPORTING (continued)

Business segments (continued)

(i) Segment results, assets and liabilities

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

Segment assets and liabilities include all assets and liabilities of the Group, which are managed directly by the segments.

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

The measure used for reporting segment profit is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as including investment income. To arrive at adjusted EBIT the Group's earning are further adjusted for items not specifically attributed to individual segments, such as share of losses of an associates, gains from disposals of joint ventures, listing expenses and other non-operating items.

4 TURNOVER AND SEGMENT REPORTING (continued)

(B) SEGMENT REPORTING (continued)

Business segments (continued)

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

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

For the year ended	Development Projects		Danzhou Phase I		Total	
	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	1,846,962	1,351,507	158,346	49,320	2,005,308	1,400,827
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	1,846,962	1,351,507	158,346	49,320	2,005,308	1,400,827
Reportable segment gross profit	869,350	423,110	21,024	3,622	890,374	426,732
Reportable segment profit/(loss) (adjusted EBIT)	778,423	308,840	10,360	(5,717)	788,783	303,123
As at 31 December						
Reportable segment assets	4,951,772	4,865,950	242,866	398,892	5,194,638	5,264,842
Including:						
Cash and cash equivalents	895,015	448,485	1,818	2,697	896,833	451,182
Properties under development	2,328,981	2,333,986	–	–	2,328,981	2,333,986
Completed properties held for sale	979,559	1,476,732	197,740	330,868	1,177,299	1,807,600
Reportable segment liabilities	3,067,462	3,244,055	191,655	332,273	3,259,117	3,576,328
Including:						
Loans and borrowings	–	973,853	–	–	–	973,853
Trade and other payables	1,821,907	1,509,171	169,925	319,652	1,991,832	1,828,823

4 TURNOVER AND SEGMENT REPORTING (continued)

(B) SEGMENT REPORTING (continued)

Business segments (continued)

(ii) Reconciliation of reportable segment profit or loss

	2017 ***RMB'000***	2016 *RMB'000*
Reportable segment profit (adjusted EBIT)	**788,783**	303,123
Elimination of inter-segment profits	**–**	–
Reportable segment profits derived from Group's external customers	**788,783**	303,123
Other income	**453**	143
Listing expenses	**–**	(12,855)
Other expenses	**(140)**	(7,003)
Finance income	**8,967**	1,128
Finance costs	**(17,231)**	(53,126)
Consolidated profits before taxation	**780,832**	231,410

5 OTHER INCOME AND OTHER EXPENSES

OTHER INCOME

	2017 RMB'000	2016 RMB'000
Forfeiture of customer deposits	403	143
Others	50	–
	453	143

OTHER EXPENSES

	Note	2017 RMB'000	2016 RMB'000
Land premium late payment charges	(i)	–	4,429
Tax late payment charges		2	216
Value added tax for invoiced intra-group interest income		–	1,666
Others		138	692
		140	7,003

Note (i): The late payment charges represents interests incurred from overdue land premium. The Group settled the accumulated amounts of RMB60,059,000 on 26 January 2017 with the relevant government authority.

6 PROFIT BEFORE TAXATION

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

(A) FINANCE COSTS

	Note	2017 RMB'000	2016 RMB'000
Finance income			
Interest income arising from financial assets not measured at fair value through profit or loss	*(i)*	**(8,967)**	(1,128)
Sub-total		**(8,967)**	(1,128)
Finance costs			
Interest expenses arising from financial liabilities not measured at fair value through profit or loss		**20,354**	93,031
Less: Capitalized interest expenses	*(ii)*	**(3,123)**	(39,905)
Sub-total		**17,231**	53,126
Net finance costs		**8,264**	51,998

Note (i): Financial assets represent bank deposits.

Note (ii): The borrowing costs have been capitalised at rates 3.97% and 4.20% per annum for the years ended 31 December 2017 and 2016 respectively.

6 PROFIT BEFORE TAXATION (continued)

(B) STAFF COSTS

	2017 **RMB'000**	2016 RMB'000
Salaries, wages and other benefits	**12,695**	15,999
Equity-settled share-based transactions expenses *(Note 24)*	**978**	6,837
Contribution to defined contribution retirement plan	**296**	1,119
	13,969	23,955

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") which are administered and operated by the relevant local government authorities. The Group is required to make contributions to the Schemes at certain percentages of the employee salary as agreed by local municipal government. The local government authorities are responsible for the entire pension obligations payable to retired employees.

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

(C) OTHER ITEMS

	Note	**2017** **RMB'000**	2016 RMB'000
Depreciation	*12*	**3,794**	4,231
Amortisation	*14*	**155**	162
Auditor's remuneration		**2,000**	2,300
Cost of properties sold		**1,114,934**	974,095
Allowance for impairment loss made on trade and other receivables	*18(b)*	**–**	–

(Expressed in Renminbi thousands unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(A) INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REPRESENTS:

	2017 ***RMB'000***	2016 *RMB'000*
Current tax		
PRC corporate income tax ("CIT") for the year	**231,811**	110,415
Over-provision in respect of prior years	**–**	(11,091)
PRC land appreciation tax ("LAT") for the year	**350,179**	135,367
Sub-total	**581,990**	234,691
Deferred taxation		
Origination and reversal of temporary differences	**(60,670)**	(51,325)
Total	**521,320**	183,366

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

(B) RECONCILIATION BETWEEN INCOME TAX EXPENSE AND PROFIT BEFORE TAXATION AT APPLICABLE TAX RATES:

	2017 ***RMB'000***	2016 *RMB'000*
Profit before taxation	**780,832**	231,410
Notional tax on profit before taxation calculated at the standard tax rate applicable in the jurisdiction concerned *(Notes (i) to (ii))*	**196,337**	61,644
Tax effect of non-deductible expenses	**1,312**	1,769
Tax effect of non-deductible land cost adjustments	**58,372**	41,135
Over-provision in respect of prior years	**–**	(11,091)
Tax effect of prior years' timing difference not recognised	**(75)**	(10,009)
Effect on unused tax losses not recognised	**573**	653
LAT *(Note (iii))*	**350,179**	132,353
Tax effect on LAT	**(85,378)**	(33,088)
Income tax expenses	**521,320**	183,366

(i) Pursuant to the rules and regulations of the BVI and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands in 2017 (2016: Nil).

(ii) No provision for Hong Kong Profits Tax was made as the Group's Hong Kong subsidiaries did not earn any income subject to Hong Kong Profits Tax in 2017 (2016:Nil).

(iii) LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures.

8 DIRECTORS' EMOLUMENTS

Details of directors' emoluments of the Company are as follows:

	For the year ended 31 December 2017				
	Directors' fees	Salaries, allowances and benefits in kinds	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director					
Yeung Man	–	228	272	–	500
Zhou Li	–	300	400	–	700
Huang An Nan	–	250	–	–	250
Fan Wen Yi	–	250	244	–	494
Chen Xiang	–	225	225	–	450
Non-executive director					
Wang Pei	–	333	109	–	442
Independent Non-executive director					
Li Zhong	150	–	–	–	150
E Jun Yu	200	–	–	–	200
Chen Shi Min	200	–	–	–	200
Li Yong	44	–	–	–	44
	594	1,586	1,250	–	3,430

8 DIRECTORS' EMOLUMENTS (continued)

	For the year ended 31 December 2016				
	Directors' fees *RMB'000*	Salaries, allowances and benefits in kinds *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Executive director					
Yeung Man	–	228	272	–	500
Zhou Li	–	300	400	–	700
Huang An Nan	–	975	500	–	1,475
Fan Wen Yi	–	250	247	–	497
Non-executive director					
Wang Pei	–	320	42	–	362
Independent Non-executive director					
Li Zhong	100	–	–	–	100
E Jun Yu	100	–	–	–	100
Chen Shi Min	100	–	–	–	100
	300	2,073	1,461	–	3,834

No directors of the Company waived or agreed to waive any emoluments in 2017 (2016: Nil). RMB594,000 were paid to independent non-executive directors in 2017 (2016: RMB300,000).

In 2017, there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office (2016: Nil).

The Company did not have any share option scheme for the purchase of ordinary shares in the Company as of 31 December 2017 (2016: Nil).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

In 2017, the five individuals with the highest emoluments, three (2016: two) are directors of the Company whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other individuals are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries and other emoluments	**1,630**	2,698
Retirement scheme contributions	**–**	–
	1,630	2,698

The emoluments of these individuals with the highest emoluments are within the following bands:

	2017 **Number of individuals**	2016 Number of individuals
HKDNil to 1,000,000	**2**	2
HKD1,000,000 to 2,000,000	**–**	1
	2	3

10 OTHER COMPREHENSIVE INCOME

TAX EFFECT RELATING TO EACH COMPONENT OF OTHER COMPREHENSIVE INCOME

	2017			2016		
	Before-tax amount **RMB'000**	**Tax expense** **RMB'000**	**Net-of-tax amount** **RMB'000**	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of:						
– Financial statements of the Company	**15,232**	**–**	**15,232**	(8,575)	–	(8,575)
Changes in fair value of available-for-sale financial assets	**(1,749)**	**–**	**(1,749)**	–	–	–
Other comprehensive income	**13,483**	**–**	**13,483**	(8,575)	–	(8,575)

(Expressed in Renminbi thousands unless otherwise indicated)

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB251,181,000 (2016: RMB65,012,000) and the weighted average of 300,000,000 shares (2016: 259,631,148 ordinary shares) in issue during the year, calculated as follows:

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	2017	2016
Issued ordinary shares at 1 January	**300,000,000**	1
Effect of issuance of shares upon incorporation of the Company *(Note 26(c)(i))*	**–**	–
Effect of issuance of shares upon completion of Reorganisation on 8 April 2016 *(Note 26(c)(i))*	**–**	999
Effect of issuance of shares upon completion of the Capitalisation issue on 15 July 2016 *(Note 26(c)(ii))*	**–**	224,999,000
Effect of issuance of shares upon completion of the IPO on 15 July 2016 *(Note 26(c)(iii))*	**–**	34,631,148
Weighted average number of ordinary shares at 31 December	**300,000,000**	259,631,148

The weighted average number of shares in issue during the year ended 31 December 2016 is based on the assumption that 225,000,000 ordinary shares of the Company were in issue, comprising 1 share in issue, 999 shares issued pursuant to the completion of the Reorganisation and 224,999,000 shares issued pursuant to the Capitalisation issue, as if these shares were outstanding throughout the period from 1 January 2016 to the Listing Date, and 75,000,000 shares issued under the IPO.

There were no dilutive potential ordinary shares during the years ended 31 December 2017 and 2016 and, therefore, the diluted earnings per share were the same as the basic earnings per share.

(Expressed in Renminbi thousands unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

	Vehicles RMB'000	Electronic devices RMB'000	Machines, furniture, office equipment and others RMB'000	Buildings RMB'000	Total RMB'000
Cost:					
At 1 January 2016	4,543	2,283	3,982	57,729	68,537
Additions	125	25	28	–	178
Disposals	(566)	–	–	–	(566)
At 31 December 2016	4,102	2,308	4,010	57,729	68,149
At 1 January 2017	**4,102**	**2,308**	**4,010**	**57,729**	**68,149**
Additions	**–**	**18**	**21**	**–**	**39**
Disposals	**(481)**	**(34)**	**(11)**	**–**	**(526)**
At 31 December 2017	**3,621**	**2,292**	**4,020**	**57,729**	**67,662**
Accumulated depreciation:					
At 1 January 2016	3,063	1,881	1,786	8,226	14,956
Charge for the year	629	90	770	2,742	4,231
Disposals	(405)	–	–	–	(405)
At 31 December 2016	3,287	1,971	2,556	10,968	18,782
At 1 January 2017	**3,287**	**1,971**	**2,556**	**10,968**	**18,782**
Charge for the year	**278**	**47**	**727**	**2,742**	**3,794**
Disposals	**(456)**	**(34)**	**(11)**	**–**	**(501)**
At 31 December 2017	**3,109**	**1,984**	**3,272**	**13,710**	**22,075**
Net book value:					
At 31 December 2017	**512**	**308**	**748**	**44,019**	**45,587**
At 31 December 2016	815	337	1,454	46,761	49,367

13 INVESTMENT PROPERTIES

	Investment properties *RMB'000*
Net book value:	
At 1 January 2016	165,180
Transfer from properties under development *(Note 16(a))*	1,482
Fair value adjustments	5,938
At 31 December 2016	172,600
Representing	
Valuation	172,600

	Investment properties *RMB'000*
Net book value:	
At 1 January 2017	**172,600**
Transfer from properties under development *(Note 16(a))*	**42,188**
Transfer to properties held for sale	**(166,000)**
At 31 December 2017	**48,788**
Representing	
Valuation	**48,788**

13 INVESTMENT PROPERTIES (continued)

As at 31 December 2016, certain of the Group's investment properties were pledged as collaterals for bank loans granted to the Group (Note 23), and all such pledge was released with the repayment of bank loans during the year ended 31 December 2017.

As at 31 December 2016, the Group's investment properties include certain apartments leased to a hotel management company, and certain car parks leased to individuals.

During the year ended 31 December 2017, the Group engaged sales agent to promote the selling of the above apartments. As a result of the actual change of use, the Group transferred certain investment properties into complete properties held for sale at a total carrying value of RMB166,000,000.

Furthermore, during the year ended 31 December 2017, the Group has signed car park lease contracts with customers. As a result of the actual change of use, the Group transferred certain properties under development into investment properties with a total fair value of RMB42,188,000. The total carrying amount of these car parks at the date of transfer was RMB5,789,000. A gain on revaluation upon transfer of RMB36,399,000 (2016: nil) and the related deferred tax thereon of RMB9,100,000 (2016: nil) has been recognized in the profit or loss during the year ended 31 December 2017.

The valuations of the leased car parks were carried out at 31 December 2016 by the Group's independent valuer using the income capitalization approach. Based on the available information, the directors determined that the fair value of investment properties approximated to the carrying value as at 31 December 2017. Accordingly, no independent valuation of investment properties was performed on 31 December 2017.

As at 31 December 2016, the Group's investment properties were pledged as collaterals for certain bank loans granted to the Group (Note 23) and such pledge was released during the year ended 31 December 2017.

13 INVESTMENT PROPERTIES (continued)

FAIR VALUE MEASUREMENT OF PROPERTIES

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at 31 December 2017 categorised into		
	Fair value at 31 December 2017	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Investment properties				
– Residential	**48,788**	**–**	**–**	**48,788**

		Fair value measurements as at 31 December 2016 categorised into		
	Fair value at 31 December 2016	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Investment properties				
– Residential	172,600	–	–	172,600

During the year ended 31 December 2017, there were no transfers into or out of Level 3 (2016: nil). The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

13 INVESTMENT PROPERTIES (continued)

FAIR VALUE MEASUREMENT OF PROPERTIES (continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Investment properties – Residential	Income capitalization approach	Capitalisation rate	3.0% (2016: 3.0% to 4.5%)
		Expected occupancy rate	NA (2016: 80% to 90%)

The fair value of investment properties located in the Mainland China is determined by capitalising a projected return associated with the properties using risk-adjusted capitalisation rates. The valuation took into account expected occupancy rate of the respective properties, which were transferred into properties held for sale in 2017. The capitalization rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the occupancy rate, and negatively correlated to the risk-adjusted capitalisation rates.

Fair value adjustment of investment properties is recognized in the line item "Change in fair value of investment properties" on the face of the consolidated statement of profit or loss and total comprehensive income.

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Within 1 year	**3,345**	6,025
After 1 year but within 5 years	**7,540**	9,535
After 5 years	**3,230**	–
	14,115	15,560

14 INTANGIBLE ASSETS

	Software *RMB'000*
Cost:	
At 1 January 2016	1,526
Additions	–
At 31 December 2016	1,526
Additions	–
At 31 December 2017	**1,526**
Accumulated amortization:	
At 1 January 2016	549
Charge for the year	162
At 31 December 2016	711
Charge for the year	155
At 31 December 2017	**866**
Net book value:	
At 31 December 2017	**660**
At 31 December 2016	815

Intangible assets represent software costs.

(Expressed in Renminbi thousands unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES

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

			Proportion of ownership interest			
Name of company	Date and place of incorporation/ establishment	Paid-in/ registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Zhong Jia (Hong Kong) Investment Construction Company Limited ("Zhong Jia (Hong Kong)") 中嘉(香港)投資建設有限公司	18 December 2012 Hong Kong	HKD10,000	100%	100%	–	Investment holding
Peak Well Investment Development Limited ("Peak Well") 頂豐投資發展有限公司	05 January 2010 BVI	USD50,000	100%	100%	–	Investment holding
Time Being Group Limited ("Time Being") 正時集團有限公司	08 October 2009 Hong Kong	HKD10,000	100%	–	100%	Investment holding
Lianyungang Tai Sheng City Development Co., Ltd. ("Lianyungang Tai Sheng Development") 連雲港泰盛城市發展有限公司*	18 November 2009 The PRC	RMB10,000,000	100%	–	100%	Investment holding
Lianyungang Long Ji Properties Co., Ltd. ("Lianyungang Long Ji Properties") 連雲港隆基置業有限公司*	07 February 2007 The PRC	RMB10,000,000	100%	–	100%	Investment holding
Nanjing Jia Pei Investment Management Consulting Co., Ltd. ("Nanjing Jia Pei") 南京嘉沛投資管理諮詢有限公司*	11 September 2013 The PRC	USD500,000	100%	–	100%	Investment holding
Sanya Feng Huang Xin Cheng Industrial Co., Ltd. ("Sanya Fenghuang Xincheng") 三亞鳳凰新城實業有限公司*	11 July 2007 The PRC	RMB400,000,000	100%	–	100%	Property development
Sanya Feng Huang Shui Yun Real Estate Development Co., Ltd. ("Sanya Fenghuang Shuiyun") 三亞鳳凰水韻房地產開發有限公司*	21 October 2009 The PRC	RMB280,000,000	100%	–	100%	Property development

(Expressed in Renminbi thousands unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Date and place of incorporation/ establishment	Paid-in/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Hainan Nan Hai Xiang Long Real Estate Development Co., Ltd. ("Hainan Nanhai Xiang Long") 海南南海翔龍房地產開發有限公司*	18 April 2002 The PRC	RMB300,000,000	100%	–	100%	Property development
Sanya Hui Xin Trading Co., Ltd. ("Sanya Hui Xin Trading") 三亞惠新貿易有限公司*	29 December 2010 The PRC	RMB57,142,857.14	82.5%	–	82.5%	Investment holding
Nanjing Bai Rui Ze Property Co., Ltd. ("Nanjing Bai Rui Ze") 南京百瑞澤置業有限公司*	16 January 2013 The PRC	RMB210,000,000	100%	–	100%	Property development
Zhong Ze (Hong Kong) Investment Limited ("Zhong Ze (Hong Kong)") 中澤(香港)投資有限公司	20 September 2011 Hong Kong	HKD10,000	100%	100%	–	Investment holding
Sanya Zhong Ze Kai Industrial Co., Ltd. ("Sanya Zhong Ze Kai") 三亞中澤凱實業有限公司*	01 April 2012 The PRC	USD4,800,000	100%	–	100%	Investment holding
Danzhou Shuang Lian Property Development Co., Ltd. ("Danzhou Shuang Lian") 儋州雙聯房地產開發有限公司*	03 December 2009 The PRC	RMB412,500,000	60%	–	60%	Property development

* These entities are PRC limited liability companies. The English translation of the company names is for reference only. The official names of the companies are in Chinese.

15 INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists out the information relating to Danzhou Shuang Lian, the subsidiary of the Group which has a material non-controlling interest (NCI). (The directors consider the NCI from Sanya Hui Xin to be immaterial). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2017 **RMB'000**	2016 RMB'000
NCI percentage	**40%***	40%*
Current assets	**731,009**	898,664
Non-current assets	**8,853**	12,454
Current liabilities	**(190,273)**	(336,349)
Non-current liabilities	**(58,884)**	(62,722)
Net assets	**490,705**	512,047
Carrying amount of NCI	**273,491**	274,514
Revenue	**158,346**	49,320
Loss and total comprehensive income for the year	**(4,754)**	(22,251)
Loss allocated to NCI	**(2,503)**	(20,142)
Cash flows from operating activities	**139,110**	2,077
Cash flows from investing activities	**(22)**	(11)
Cash flows from financing activities	**(140,040)**	(10,487)

* In year 2013 and 2014, the Group entered into a series of investment agreements with Nanjing San Long Cement Co., Ltd. ("Nanjing San Long") and Danzhou Shuang Lian, where the Group eventually acquired 60% of the equity interests of Danzhou Shuang Lian from Nanjing San Long in January 2014 (the "Acquisition"). The Danzhou Shuang Lian project is divided into phase I and II. At the time of the Acquisition, phase I with an area of approximately 89 mu was partially under development and was in the process of pre-sale, while phase II with an area of approximately 569 mu was a piece of undeveloped land. Pursuant to the relevant investment agreements, the non-controlling shareholder Nanjing San Long continued to manage, develop and undertake fully the risk and reward of phase I through its completion and disposal, and separate ledgers and bank accounts were set up for phases I and II. Danzhou phase I is an autonomous and operationally distinct business division that would remain under the direction of Nanjing San Long after the Acquisition.

The assets and liabilities as well as turnover, cost of sales and other items in the consolidated statement of profit or loss and other comprehensive income related to Danzhou Shuang Lian phase I have been included as part of the assets and liabilities as well as profit or loss and other comprehensive income items of Danzhou Shuang Lian as they are not legally separable from other assets and liabilities as well as profit or loss and other comprehensive income items related to phase II of Danzhou Shuang Lian. Notwithstanding the fact that the nominal NCI percentage of Danzhou Shuang Lian is 40%, the economic interest of the non-controlling shareholder was calculated at 100% of the phase I interest and 40% of the phase II interest.

The acquisition of Danzhou Shuang Lian has been accounted for as a business combination and the net profit or loss, net assets or liabilities arising from phase I are wholly attributable to, and accordingly are deducted through the inclusion of such amounts in, the non-controlling interests in the Group's consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

16 PROPERTIES UNDER DEVELOPMENT

(A) PROPERTIES UNDER DEVELOPMENT IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION COMPRISE:

	2017 RMB'000	2016 RMB'000
Expected to be recovered within one year		
– Properties under development for sale	–	48,298
Expected to be recovered after more than one year		
– Properties under development for sale	2,328,981	2,285,688
	2,328,981	2,333,986

During the year ended 31 December 2017, the Group transferred certain properties under development with a carrying amount of RMB5,789,000 to investment properties (Note 13), with a total fair value of RMB42,188,000 as a result of change of actual use (2016: RMB1,482,000).

As at 31 December 2016, certain of the Group's properties under development were pledged as collaterals for certain bank loans granted to the Group (Note 23), and all such pledge has been released with the repayment of bank loans in 2017.

(B) THE ANALYSIS OF CARRYING VALUE OF LEASEHOLD LAND INCLUDED IN PROPERTIES UNDER DEVELOPMENT IS AS FOLLOWS:

	2017 RMB'000	2016 RMB'000
In the PRC, with lease term of 40 years or more	1,932,114	1,932,114

17 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC on leasehold land with lease term of 40 years or more. All completed properties held for sale are stated at cost and no impairment is provided for. As at 31 December 2016, certain of the Group's completed properties held for sale were pledged as collaterals for bank loans granted to the Group and such pledge was released during the year ended 31 December 2017.

18 LONG-TERM RECEIVABLES & TRADE AND OTHER RECEIVABLES

	Note	2017 RMB'000	2016 RMB'000
Amounts due from third parties			
– Trade receivables – current *(Note (i))*		**5,540**	4,074
– Trade receivables – non-current *(Note (i))*		**13,995**	–
Less: allowance for doubtful debts *(Note 18(b))*		**(19)**	(19)
– Non-trade receivables		**67,525**	100,561
Amounts due from related parties *(Note (ii))*	*30(d)*		
– Non-trade receivables		**21,258**	–
Advance payments to contractors *(Note (iii))*			
– To third party contractors		**27,877**	41,695
– To related party contractors	*30(d)*	**–**	1,812
Prepaid business tax and other taxes		**40,798**	26,511
Total		**176,974**	174,634
Including:			
Trade and other receivables		**162,979**	174,634
Long-term receivables		**13,995**	–

Notes:

(i) Trade receivables comprise receivables due from customers in relation to sales of properties and rental income. Proceeds from the sale of properties are made in lump-sum payments or paid by instalments in accordance with the terms of the corresponding sale and purchase agreements. Receivables to be recovered more than one year are reclassified to long-term receivables. The remaining balance of trade receivables are expected to be recovered within one year. The details on the Group's credit policy are set out in Note 27(a).

(ii) Amounts due from related parties are unsecured, interest-free and repayable on demand. The amount is relating to Danzhou phase I, whose operation is under the direction of the non-controlling shareholder, Nanjing San Long. The details of Danzhou phase I are set out in Note 15.

(iii) Advance payments to contractors are made in accordance with the payment terms as agreed in the construction contracts signed with building contractors. They are to be transferred to properties under development with regard to stage of completion for relevant construction.

18 LONG-TERM RECEIVABLES & TRADE AND OTHER RECEIVABLES (continued)

(A) AGEING ANALYSIS

As of the end of the reporting period, the ageing analysis of trade receivables based on the date that trade receivables were recognised, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**18,989**	2,873
1 to 2 years	**4**	776
2 to 3 years	**169**	406
Over 3 years	**373**	19
	19,535	4,074

As at 31 December 2017 and 2016, included in the trade receivables were amounts of RMB5,521,000 and RMB4,055,000 that are not past due or not impaired.

(B) IMPAIRMENT OF TRADE DEBTORS

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see Note 2(j)).

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**19**	19
Impairment loss recognised	**–**	–
At 31 December	**19**	19

As at 31 December 2017, the Group's trade receivables of RMB19,000 (RMB19,000 as at 31 December 2016) were individually determined to be impaired. They were related to debtors that were in financial difficulties and have defaulted in payments. These receivables were not secured by any collateral or credit enhancements.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets represented wealth management products purchased from banks.

Subsequently on 15 March 2018, the Group noticed the bank to redeem all the outstanding amount of the wealth management products the Group held as at 31 December 2017. Up to the approval date of these financial statements the investments under this arrangement are in the process of realisation.

20 RESTRICTED CASH

	2017	2016
	RMB'000	*RMB'000*
Pledged for:		
– Properties under development	**41,235**	2,172
– Bank loans *(Note (i))*	**–**	12,463
Total	**41,235**	14,635

Note (i): It represented cash balance in an escrow bank account which is under the supervision of a bank.

21 CASH AND CASH EQUIVALENTS

(A) CASH AND CASH EQUIVALENTS COMPRISE:

	2017	2016
	RMB'000	*RMB'000*
Cash at bank and in hand		
– Cash on hand	**14**	91
– Cash at bank	**896,819**	451,091
	896,833	451,182

21 CASH AND CASH EQUIVALENTS (continued)

(B) RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS:

	2017 ***RMB'000***	2016 *RMB'000*
Operating activities		
Profit before taxation	**780,832**	231,410
Adjustments for:		
– Loss on sales of property, plant and equipment	**(49)**	37
– Depreciation & amortization	**3,949**	4,393
– Allowance for impairment loss made on trade and other receivables	**–**	–
– Finance costs	**17,231**	53,126
– Interest income	**(8,967)**	(1,128)
– Share of losses of an associate	**–**	–
– Equity-settled share-based transactions	**978**	6,837
– Gain from disposal of joint ventures	**–**	–
– Gain from disposal of subsidiaries	**–**	–
– Loss from disposal of other investments	**–**	615
– Change in fair value of investment properties	**–**	(5,938)
– Surplus on valuation upon transfer of properties under development	**(36,399)**	–
Operating profit before changes in working capital	**757,575**	289,352
Changes in working capital		
– Decrease in properties under development	**168,339**	1,354,688
– Changes in completed properties held for sale	**630,301**	(563,486)
– Changes in trade and other receivables	**(2,340)**	115,143
– Changes in trade and other payables	**303,049**	(47,263)
– Increase in restricted cash	**(39,063)**	(4)
Cash generated from operations	**1,817,861**	1,148,430
Income tax paid	**(136,115)**	(125,876)
Net cash generated from operating activities	**1,681,746**	1,022,554

21 CASH AND CASH EQUIVALENTS (continued)

(C) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank loans and other borrowings *RMB'000* *(Note 23)*	Restricted cash *RMB'000* *(Note 20, 23)*	Total *RMB'000*
At 1 January 2017	**1,115,747**	**(12,463)**	**1,103,284**
Changes from financing cash flows:			
Repayment of bank and non-bank loans	**(980,000)**	**–**	**(980,000)**
Repayment of loan interests	**(14,207)**	**–**	**(14,207)**
Decrease in restricted cash	**–**	**12,463**	**12,463**
Repayment of non-controlling shareholder loan	**(140,040)**	**–**	**(140,040)**
Total changes from financing cash flows	**(1,134,247)**	**12,463**	**(1,121,784)**
Other changes:			
Interest expenses (Note 6(a))	**20,354**	**–**	**20,354**
Total other changes	**20,354**	**–**	**20,354**
At 31 December 2017	**1,854**	**–**	**1,854**

Note: Bank loans and other borrowings consist of bank loans and loan from non- bank financial institution as disclosed in Note 23 and loans from non-controlling shareholders as disclosed in Note 22.

22 TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Amounts due to third parties		
– Trade payables *(Note (i))*	**374,306**	610,877
– Receipts in advance	**704,575**	463,312
– Accrued payroll	**4,208**	2,441
– Other payables and accruals	**138,684**	206,194
– Guarantee deposits *(Note (ii))*	**492,003**	251,022
	1,713,776	1,533,846
Amounts due to related parties *(Note 30(d))*		
– Trade payables *(Note (i))*	**254,944**	153,083
– Non-trade payables	**23,112**	141,894
	278,056	294,977
	1,991,832	1,828,823

Notes:

(i) As of the end of the reporting period, the ageing analysis of trade payables based on the date the trade payables were recognised, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	**222,070**	482,120
3 to 6 months	**25,475**	45,837
6 to 12 months	**281,275**	55,217
Over 12 months	**100,430**	180,786
	629,250	763,960

Trade payables mainly represent amounts due to contractors. Payment to contractors is by instalments according to progress and agreed milestones. The Group normally retains 5% as retention payment.

(ii) During the year ended 31 December 2017, the Group granted exclusive right to sales agencies for promoting certain completed properties for a period of time, and received the amount of RMB492,003,000 as guarantee deposits (31 December 2016:RMB251,022,000).

23 LOANS AND BORROWINGS

At 31 December 2017, the loans and borrowings were repayable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year or on demand	–	272,511
After 1 year but within 2 years	–	575,000
After 2 years but within 5 years	–	126,342
	–	973,853

At 31 December 2017, the loans and borrowings were secured as follows:

	2017	2016
	RMB'000	*RMB'000*
Current		
Secured		
– Current portion of non-current bank loans	–	272,511
	–	272,511
Non-current		
Secured		
– Bank loans	–	408,853
– Loan from non-bank financial institution	–	565,000
Less: Current portion of non-current bank loans	–	(272,511)
	–	701,342
Total loans and borrowings	–	973,853

23 LOANS AND BORROWINGS (continued)

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	**2017 *RMB'000* Carrying amount**	2016 *RMB'000* Carrying amount
Secured bank loans	RMB	6.89% – 5.70%	2021	–	150,000
Secured bank loans	RMB	5.70%	2017	–	146,342
Secured bank loans	RMB	5.80% – 5.70%	2017	–	112,511
Secured bank loans	RMB	7.38% – 6.00%	2017	–	–
Secured loan from non-bank financial institution	RMB	4.133%	2018	–	565,000
				–	973,853

The bank loans were secured by the following assets:

	2017 *RMB'000*	2016 *RMB'000*
Properties under development *(Note 16)*	–	573,285
Completed properties held for sale *(Note 17)*	–	693,045
Investment properties *(Note 13)*	–	115,253
Restricted cash *(Note 20)*	–	12,463
Total	–	1,394,046

The pledges were released during the year ended 31 December 2017.

(Expressed in Renminbi thousands unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 5 January 2016, share options of purchasing 17.5% of the equity interest of Sanya Hui Xin, one of the subsidiaries of the Group, was granted for nil consideration to directors and employees of the Group under the Group's Pre-IPO Share Incentive Scheme. The options give the holders the right to acquire respective portion of the 17.5% equity interest of Sanya Hui Xin at nil consideration after three years and when certain performance targets are achieved. Sanya Hui Xin held 17.14% of the equity interest of Sanya Fenghuang Shui Yun Property Development Company Limited. The options have no expiration date. Fair value of the options and assumptions are as follows:

The fair value of services received in return for the options granted is based on the fair value of the options at grant date, measured using the binomial option pricing model, with following inputs:

Underlying equity value	RMB22,000,000
Exercise price	RMB0
Expected volatility	38.28%
Expected dividends	0%
Risk-free interest rate	2.70%

The underlying equity value was determined by discount cash flow method in which the financial forecast in respect of Sanya Hui Xin was provided by the management of the Company. The expected volatility was determined with reference to historical volatilities of comparable companies of Sanya Hui Xin, as extracted from Bloomberg Terminal. Expected dividends of the underlying share was determined by the Company. The risk- free interest rate was determined with reference to the yield rate of the generic China government bonds with duration similar to the vesting period of the options, as extracted from Bloomberg Terminal.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

There were no new share options granted during the year ended 31 December 2017.

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(A) CURRENT TAX ASSETS/(LIABILITIES) IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION REPRESENT:

	2017	2016
	RMB'000	*RMB'000*
Prepaid CIT	**107,217**	55,116
Prepaid LAT	**20,299**	17,092
Current tax assets recognised in the consolidate statement of financial position	**127,516**	72,208
Current CIT payable	**(339,652)**	(122,657)
Current LAT payable	**(400,450)**	(116,262)
Current tax liabilities recognised in the consolidated statement of financial position	**(740,102)**	(238,919)

LAT provisions have been made pursuant to Guo Shui Fa (2006) No. 187 Circular of State Administration of Taxation on Relevant Issues of Settlement and Management of Land Appreciation Tax for Real Estate Developers. The Group considers the timing of settlement is dependent on the practice of local tax bureaus. As a result of the uncertainty of timing of payment of LAT, the provisions have been recorded as current liabilities as at 31 December 2017 and 2016.

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

(B) DEFERRED TAX ASSETS/(LIABILITIES) RECOGNISED

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

	Temporary differences arising from LAT provision *(Note i)* RMB'000	Other temporary differences RMB'000	Unused tax losses *(Note ii)* RMB'000	Revaluation arising from business combination RMB'000	LAT provision *(Note iii)* RMB'000	Revaluation of investment property RMB'000	Total RMB'000
At 1 January 2016	7,904	17,768	16,127	(267,846)	(271,003)	(1,193)	(498,243)
Credited/(charged) to profit or loss	19,263	787	25,966	3,780	3,014	(1,485)	51,325
At 31 December 2016	27,167	18,555	42,093	(264,066)	(267,989)	(2,678)	(446,918)
Credited/(charged) to profit or loss	**68,945**	**(10,088)**	**6,041**	**3,886**	**986**	**(9,100)**	**60,670**
At 31 December 2017	**96,112**	**8,467**	**48,134**	**(260,180)**	**(267,003)**	**(11,778)**	**(386,248)**

Notes:

(i) "Temporary differences arising from LAT provision" represents deferred tax assets recognised on the timing differences for the amount of LAT provision made for property projects.

(ii) In recognizing and measuring of deferred tax assets in respect of the Group's subsidiaries which suffered losses in current or preceding period, management considered the projected future taxable income of these subsidiaries. Accordingly, the Group has recognised deferred tax assets of RMB42,093,000 and RMB48,134,000 as at 31 December 2016 and 2017 respectively as the Group estimates that these subsidiaries have properties development projects which are probable to generate sufficient future taxable profits to support their utilisation.

(iii) According to the PRC CIT Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. According to the China-HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of a PRC enterprise is entitled to a reduced withholding rate of 5%.

(iv) "LAT provision" in the deferred tax liability represents the amounts of LAT recognised as an identifiable liability from the acquisition of Sanya Fenghuang Xincheng in 2008.

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

(B) DEFERRED TAX ASSETS/(LIABILITIES) RECOGNISED (continued)

Notes: (continued)

	2017	2016
	RMB'000	*RMB'000*
Net deferred tax assets recognised on the consolidated statement of financial position	**140,935**	87,815
Net deferred tax liabilities recognised on the consolidated statement of financial position	**(527,183)**	(534,733)

(C) DEFERRED TAX ASSETS NOT RECOGNISED

In accordance with the accounting policy set out in Note 2(q), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB2,808,000 and RMB1,066,000 as at 31 December 2017 and 2016 respectively. The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available from these subsidiaries.

Pursuant to the relevant laws and regulations in the PRC, the unrecognized tax losses at the end of the reporting period would expire in the following years:

	2017	2016
	RMB'000	*RMB'000*
2021	**1,066**	1,066
2022	**1,742**	–

The tax losses for the Hong Kong subsidiaries do not expire under current Hong Kong tax legislation.

(D) DEFERRED TAX LIABILITIES NOT RECOGNISED

Deferred tax liabilities of RMB78,517,300 (2016: RMB31,512,000) were not recognised in respect of the 10% PRC dividend withholding tax that would be payable on the distribution of retained profits of RMB785,173,000 as at 31 December 2017 (2016: RMB315,121,000) in respect of the Group's subsidiaries in the PRC as the Company controls the dividend policy of these subsidiaries and it was determined that it was probable that these profits would not be distributed in the foreseeable future.

26 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTEREST

(A) MOVEMENTS IN COMPONENTS OF EQUITY

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

Company

	Note	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Changes in fair value of available-for-sale financial assets RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016		–	–	–	–	–	–	–
Changes in equity for 2016:								
Loss for the year		–	–	–	–	–	(15,165)	(15,165)
Other comprehensive income for the year		–	–	–	–	111,617	–	111,617
Total comprehensive income for the year		–	–	–	–	111,617	(15,165)	96,452
Capitalisation issue	26(c)(ii)	1,939	(1,939)	–	–	–	–	–
Issuance of new shares under the IPO	26(c)(iii)	646	238,730	–	–	–	–	239,376
Arising from re-organization		–	–	1,416,700	–	–	–	1,416,700
Balance at 31 December 2016 and 1 January 2017		2,585	236,791	1,416,700	–	111,617	(15,165)	1,752,528
Changes in equity for 2017:								
Loss for the year		**-**	**-**	**-**	**-**	**(15,232)**	**(2,255)**	**(17,487)**
Other comprehensive income for the year		**-**	**-**	**-**	**1,749**	**-**	**-**	**1,749**
Total comprehensive income for the year		**-**	**-**	**-**	**1,749**	**(15,232)**	**(2,255)**	**(15,738)**
Balance at 31 December 2017		**2,585**	**236,791**	**1,416,700**	**1,749**	**96,385**	**(17,420)**	**1,736,790**

26 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTEREST (continued)

(B) DIVIDENDS

The board of directors does not recommend the distribution of a final dividend for the year ended 31 December 2017 (2016: Nil).

(C) SHARE CAPITAL

Issued share capital

	2017 No. of shares *('000)*	**2017** *RMB'000*	2016 No. of shares *('000)*	2016 *RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January	**300,000**	**2,585**	–	–
Shares issued *(Note 26 (c)(i))*	**–**	**–**	1	–
Capitalisation issue *(Note 26 (c)(ii))*	**–**	**–**	224,999	1,939
Issuance of shares upon Initial public offering *(Note 26 (c)(iii))*	**–**	**–**	75,000	646
At 31 December	**300,000**	**2,585**	300,000	2,585

Notes:

(i) Issuance of shares

On 31 August 2015, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The initial authorized share capital of the Company was HK$3,000,000 divided into 300,000,000 Shares of HK$0.01 each and issued 1 nil paid share.

During the Reorganization of the Group which was completed on 8 April 2016, the Company allotted and issued additional 972 shares and 27 shares of HK$0.01 each on 23 March 2016 and 8 April 2016 respectively. Consequently, HK$10 (equivalent to RMB9) was credited to share capital, and the difference of this amount and the carrying value of assets acquired was transferred to other reserve.

26 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTEREST (continued)

(C) SHARE CAPITAL (continued)

Issued share capital (continued)

Notes: (continued)

(ii) Capitalization issue

Pursuant to the written resolutions of the Company's shareholders passed on 22 June 2016, the directors were authorised to allot and issue a total of 224,999,000 shares, by way of capitalisation of the sum of HK$2,249,990 (equivalent to approximately RMB1,939,000) standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company at the close of business on the business day immediately preceding the Listing date in proportion to their respective shareholdings. The capitalisation issue was completed on 15 July 2016 in connection with the Listing. The total number of shares further increased from 1,000 to 225,000,000 after the capitalisation issue completed on 15 July 2016.

(iii) Issuance of new shares under the IPO

On 15 July 2016, the Company was successfully listed on the Stock Exchange following the completion of its IPO of 75,000,000 shares issued at a price of $3.96 per share. Proceeds of RMB646,000, representing the par value of the shares issued, were credited to the Company's share capital. The remaining proceeds of RMB257,807,000, after deducting issuing expenses of RMB19,077,000, were credited to the share premium account.

26 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTEREST (continued)

(D) NATURE AND PURPOSE OF RESERVES

(i) Share Premium

Share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the public offering in July 2016. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Other reserve

Other reserve is resulted from transactions with the Ultimate Controlling Shareholder in his capacity as equity holder. It was created as a result of the Reorganisation to rationalise the Group structure in preparation for the listing of the Company's shares on the Stock Exchange. The balance represents difference of the carrying amount of net assets from the Ultimate Controller Shareholder's perspective and the carrying amount of the net assets from the respective subsidiaries' own financial statements.

(iii) PRC statutory reserve

According to the PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company. The reserve is dealt with in accordance with the accounting policies set out in Note 2(t).

26 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTEREST (continued)

(E) CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and securities afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

A subsidiary of the Group is subject to externally imposed capital requirements in 2016 and there was no non-compliance of such capital requirements during 2016. There was no externally imposed capital requirements on the Group's subsidiaries in 2017.

(F) NON-CONTROLLING INTEREST

Non-controlling interest represents Nanjing San Long's equity interest in Danzhou Shuang Lian Property Development Co., Ltd. (Note 15), and the Ultimate Controlling Shareholder's equity interest in Sanya Huixin.

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

(A) CREDIT RISK

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables and long-term receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties, which enable management to assess their recoverability and to minimize exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in Note 29(a), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 29(a).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 18.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(B) LIQUIDITY RISK

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

Details of maturity analysis for financial liabilities are disclosed in Notes 22 and 23.

As at 31 December 2017

	Carrying amount *RMB'000*	Contractual cash flow *RMB'000*	Within 1 year *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*
Amounts due to related parties	**278,056**	**278,056**	**278,056**	**–**	**–**	**–**
Trade and other payables (excluded receipts in advance)	**1,009,201**	**1,009,201**	**1,009,201**	**–**	**–**	**–**
As at 31 December 2017	**1,287,257**	**1,287,257**	**1,287,257**	**–**	**–**	**–**

As at 31 December 2016

	Carrying amount *RMB'000*	Contractual cash flow *RMB'000*	Within 1 year *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*
Loans and borrowings	973,853	1,055,833	315,230	591,757	148,846	–
Amounts due to related parties	294,977	294,977	294,977	–	–	–
Trade and other payables (excluded receipts in advance)	1,070,534	1,070,534	1,070,534	–	–	–
As at 31 December 2016	2,339,364	2,421,344	1,680,741	591,757	148,846	–

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(C) INTEREST RATE RISK

The Group's interest rates risk arises primarily from cash and cash equivalents, restricted and pledged deposits and the borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents and the pledged deposits because the interest rates of bank deposits are not expected to change significantly.

As at 31 December 2016, the interest rates and terms of repayment of bank loans and borrowings of the Group are disclosed in Note 23 to the financial statements of the Group. All bank loans and borrowings of the Group were with variable interest rate. The Group does not carry out any hedging activities to manage its interest rate exposure. As at 31 December 2017, there were no borrowings.

Sensitivity analysis

It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and decrease/increase total equity by approximately RMB0 for the year ended 31 December 2017 (2016: RMB3,651,949) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the annualised impact on the Group's profit after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those floating rate non-derivative financial instruments held by the Group which expose the Group to cash flow interest rate risk at the end of the reporting period. The analysis is performed on the same basis for 2016.

(D) CURRENCY RISK

The Group is exposed to currency risk primarily through transactions which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. Almost all the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. Exposures to currency exchange rates arise from certain of the Group's cash and cash equivalents, trade and other receivables and trade and other payables which are denominated in HKD. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and consider no significant exposure on its foreign exchange risk.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(D) CURRENCY RISK (continued)

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Expressed in RMB'000	
	2017	2016
	HKD	*HKD*
Cash and cash equivalents	**2**	–
Trade and other receivables	**719**	1,832
Trade and other payables	**(46,261)**	(46,542)
Net exposure arising from recognised assets and liabilities	**(45,540)**	(44,710)

Sensitivity analysis

The foreign currency sensitivity analysis is calculated based on the major net foreign currency exposure of the Group as at the balance sheet dates, assuming 5% shift of RMB against HKD.

Results from a 5% strengthening of the RMB against HKD would increase the Group's profit after tax and decrease the total equity as at 31 December 2017 RMB by approximately RMB2,277,000 (2016: RMB2,235,500). A 5% weakening of the RMB against HKD as at the same dates would have had the equal but opposite effect.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2016.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(E) FAIR VALUE MEASUREMENT

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

The finance manager performs valuations for the financial instruments, including available-for-sale financial assets which are categorised into Level 3 of the fair value hierarchy and then reports directly to the chief financial officer.

(Expressed in Renminbi thousands unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

	Fair value at 31 December 2017 *RMB'000*	Fair value at 31 December 2016 *RMB'000*	Fair value hierarchy	Valuation techniques and inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Recurring fair value measurements						
Assets:						
Available-for-sale:	**209,830**	100,000				
– wealth management products issued by banks and other financial institutions	**209,830**	–	Level 2	• Calculated based on the quoted prices of bonds, equity and foreign currency instruments in which the wealth management products invested in.	N/A	N/A
	–	100,000	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

During the years ended 31 December 2016 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movements during the years in the balance of these Level 3 fair value measurements are as follows:

	2017 RMB'000	2016 RMB'000
Available-for-sale financial assets:		
At 1 January	100,000	–
Payment for purchases	–	100,000
Net unrealised gains or losses recognised in other comprehensive income during the period	–	–
Proceeds from sales	100,000	–
At 31 December	–	100,000
Total gains or losses for the period reclassified from other comprehensive income on disposal	–	–
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	255	–

The gains arising from the disposal of the available-for-sale financial assets are presented in "Finance income" in the consolidated statement of profit or loss and other comprehensive income. The net unrealised gains arising from the remeasurement of the available-for-sale financial assets are recognised in fair value reserve in other comprehensive income.

28 COMMITMENTS

Capital commitments outstanding at 31 December 2017 not provided for in the consolidated financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Contracted but not provided for	51,492	273,925
Authorised but not contracted for	6,833,208	6,885,685

29 CONTINGENT LIABILITIES

(A) GUARANTEES IN RESPECT OF MORTGAGE FACILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the bank receiving the required evidence of mortgage over the relevant property in favour of the bank and the full settlement of mortgage loans by the buyer.

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of the reporting period was as follows:

	2017	2016
	RMB'000	*RMB'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**252,130**	247,737

The directors consider that it is not probable that the Group will sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors.

29 CONTINGENT LIABILITIES (continued)

(B) LAND USE RIGHT

On 17 January 2018, a subsidiary of the Group, Hainan Nanhai Xiang Long Properties Development Limited ("Nanhai Xiang Long") received a decision from Haikou People's Government in relation to its confiscating of the state-owned construction land use right of of a parcel of land owned by Nanhai Xiang Long located to the north of Bin Hai Xi Lu (濱海西路), Haikou, with a total site area of approximately 88,209.07 square meters (the land certificate number being Hai Kou Shi Guo Yong (2008) No. 001431 (海口市國用 (2008)第001431號)) (Haikou Phoenix Aqua City Phase II (the "**Phase II**")) (the "Decision") for the reason that the land parcel has not been developed and constructed on schedule.

For Phase II, according to the notice issued by the Haikou Planning Bureau on 2 July 2013, the planned site area of Phase II was decreased from 88,209.07 square meters to 61,761.00 square meters, and the plot ratio was increased from 0.5 to 0.78, for which compensation was to be made to the Group for the land being expropriated, and the nature of land use right was changed to "tourism." As of the date of approval of these financial statements, the government still has not determined the valuation and compensation proposal for Phase II and the Group has not obtained the updated land use right certificate for Phase II hence making the Group unable to further proceed with the developments under Phase II.

However, the Decision deemed that pursuant to the provisions under the Regulations over Management of idle Land (閒置土地處置辦法) and the Regulations over the Identification and Management of idle Land in Hainan District (海南省閒置土地認定與處置規定), since such land parcel has failed to be developed in accordance with the original time schedule and has been delayed for more than two years, it has become idle land and its land use right shall be confiscated. Nanhai Xiang Long shall be entitled to apply for administrative appeal to the Hainan People's Government within 60 days upon the receipt of the Decision, or commence administrative proceedings to the Haikou Intermediate People's Court within six months.

The Group considers that the basis for which the Decision was made by the Haikou People's Government to confiscate the land use right is not fully consistent with the actual circumstances of Phase II. The Group is of the view that the changes in governmental planning and coastline protection policies as well as the delay in updating the change of land use right certificate have objectively resulted in the impediment on the development of Phase II, the consequence being that the land parcel was unable to be developed and constructed on schedule. In addition, it is objectively inconsistent with actual circumstances of Phase II for the government to determine land vacancy by considering Phase II and Haikou Phoenix Aqua City Phase I land parcel, which has been completed, inspected and put into record, to be two separate land parcels.

Up to the approval date of these financial statements, the Group is in the process of preparing to bring a suit to Haikou People's Court for Haikou People's Government's infringing its rights relating to Phase II. The Group has also continued its discussions with the Haikou Planning Bureau indicating its willingness to develop Phase II subject to the Bureau's approval of its design plans. As of the approval date of these financial statements, the directors, after seeking legal opinion, consider that the Group has reasonable grounds to challenge the Decision and that therefore, taking account of all available evidence, it is not more likely than not that a present obligation to surrender the land without compensation exists at the end of the reporting period. No provision has therefore been made in respect of the Decision. Should the Decision be successfully enforced by the Haikou People's Government, the Group may suffer a loss on confiscation amounting to RMB179,182,000, being the carrying value of Phase II recognised within the properties under development.

30 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements of the Group, the Group entered into the following significant related party transactions during the year ended 31 December 2017.

(A) NAME AND RELATIONSHIP WITH RELATED PARTIES

During the year ended 31 December 2017, transactions with the following parties were considered as related party transactions:

Name of party	Relationship with the Group
Nanjing Huizhi Construction Installation Engineering Co., Ltd. ("Nanjing Huizhi")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Zhonghui Construction Engineering Co., Ltd. ("Nanjing Zhonghui Construction")	Entities controlled by the Ultimate Controlling Shareholder
Zhonghui (Nanjing) Property Development Co., Ltd. ("Zhong Hui Nanjing")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Diken Engineering Design Consultancy Co., Ltd. ("Nanjing Diken")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Hengjida Engineering Design Consultancy Company Limited ("Nanjing Hengjida")	Entities controlled by the Ultimate Controlling Shareholder
Lianyungang Hui Neng Foundation Construction Engineering Co., Ltd. ("Lianyungang Hui Neng")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Maoheng Engineering Design Consultancy Company Limited ("Nanjing Maoheng")	Entities controlled by the Ultimate Controlling Shareholder
Hainan Zhonghuan Property Development Company Limited ("Hainan Zhonghuan")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Boken Corporate Planning Consultation Company Limited ("Nanjing Boken")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing Huiyao Decoration Construction Co., Ltd. ("Nanjing Huiyao")	Associate of a group controlled by the Ultimate Controlling Shareholder
Leshan Huizhi Technology Development Co., Ltd. ("Leshan Huizhi")	Entities controlled by the Ultimate Controlling Shareholder
Nanjing San Long Cement Company Limited ("Nanjing San Long")	Minority shareholder

30 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(B) KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Wages, salaries and other benefits	**3,241**	4,544
Retirement scheme contributions	**–**	–
	3,241	4,544

The above remuneration to key management personnel is included in "staff costs" (Note 6(b)).

(C) TRANSACTIONS WITH RELATED PARTIES

	2017	2016
	RMB'000	*RMB'000*
Construction and consultancy services *(Note (i))*	**285,207**	47,004
Funding arrangements with shareholders *(Note (ii))*	**(140,040)**	(355,247)
Interest income	**–**	–
Interest expense	**1,904**	11,487

(i) Construction and consultancy services

During the year ended 31 December 2017, the Group received construction services from the following related parties:

	2017	2016
	RMB'000	*RMB'000*
Nanjing Huizhi	**285,207**	46,083
Nanjing Huiyao	**–**	921
Total	**285,207**	47,004

30 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(C) TRANSACTIONS WITH RELATED PARTIES (continued)

(i) Construction and consultancy services (continued)

The above transactions between the Group and its related parties mainly comprised construction services in relation to earthmoving, scenery design and engineering on the Group's properties under development from construction companies, which are controlled by the Ultimate Controlling Shareholder.

The directors confirmed that the above transactions, other than the construction services provided by Nanjing Huizhi, have been ceased since 30 June 2016.

(ii) Funding arrangements with shareholders

During the year ended 31 December 2017, the Group had funding arrangements to the following shareholders, the net cash outflows of which are as follows:

	2017	2016
	RMB'000	*RMB'000*
Zhong Hui Nanjing	**–**	(328,019)
Nanjing San Long	**(140,040)**	(27,228)
Total	**(140,040)**	(355,247)

(D) BALANCES WITH RELATED PARTIES

Balances with related parties as at 31 December 2017 are detailed as follows:

Amounts due from related parties

	2017	2016
	RMB'000	*RMB'000*
Non-trade related:		
Nanjing San Long	**21,258**	–
	21,258	–
Advance payments:		
Nanjing Huizhi	**–**	1,075
Nanjing Hengjida	**–**	737
	–	1,812

30 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(D) BALANCES WITH RELATED PARTIES (continued)

Amount due to related parties (continued)

	2017 RMB'000	2016 RMB'000
Trade related:		
Nanjing Huizhi	**232,011**	117,831
Nanjing Maoheng	**–**	943
Nanjing Tianhui	**–**	4,978
Lianyungang Hui Neng	**21,236**	21,541
Nanjing Hengjida	**–**	3,236
Chung Wai (Jiangsu)	**1,426**	1,426
Nanjing Zhonghui Construction	**–**	1,422
Nanjing Diken	**–**	1,236
Leshan Huizhi	**50**	50
Nanjing Huiyao	**221**	420
	254,944	153,083
Non-trade related:		
Other payables due to:		
Nanjing San Long	**23,112**	141,894
	23,112	141,894

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2017 RMB'000	2016 RMB'000
Non-current asset		
Interest in subsidiaries	1,519,742	1,519,742
	1,519,742	1,519,742
Current assets		
Cash and cash equivalents	18,893	248,143
Trade and other receivables	418	447
Available-for-sale financial assets	209,830	–
	229,141	248,590
Total assets	1,748,883	1,768,332
Current liabilities		
Trade and other payables	(12,094)	(15,804)
	(12,094)	(15,804)
Net assets	1,736,789	1,752,528
Equity		
Share capital	2,585	2,585
Reserves	1,751,624	1,765,108
Accumulated losses	(17,420)	(15,165)
Total equity	1,736,789	1,752,528

(Expressed in Renminbi thousands unless otherwise indicated)

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, the directors consider the immediate parents of the Group to be Zhong Jia (International) Investment Construction Company Limited and Zhong Ze (International) Investment Limited, which are incorporated in British Virgin Islands. These entities do not produce financial statements available for public use. The directors consider the ultimate controlling party of the Group to be Mr. Yeung Man.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 9 *FINANCIAL INSTRUMENTS*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 9 *FINANCIAL INSTRUMENTS* (continued)

(a) Classification and measurement (continued)

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans not to elect this designation option for any of the investments held on 1 January 2018 and will recognise any fair value changes in respect of these investments in profit or loss as they arise. This will give rise to a change in accounting policy as currently the Group recognises the fair value changes of available-for-sale equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in Notes 2(e) and 2(j). This change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss. Upon the initial adoption of HKFRS 9, fair value gains of RMB1,749,000 related to the available-for-sale investments will be transferred from the fair value reserve to retained profits at 1 January 2018.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, the Group expects that the transition adjustment to be made upon the initial adoption of HKFRS 9 will not be material.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 15, *REVENUE FROM CONTRACTS WITH CUSTOMERS*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(s). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from sales of properties.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 15, *REVENUE FROM CONTRACTS WITH CUSTOMERS* (continued)

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are not common in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer customers a discount compared to the sales price payable, provided the customers agree to pay the balance of the purchase price early.

In assessing whether such advance payments schemes include a significant financing component, the Group has considered the difference between the discounted price offered to those customers and the cash selling price, and the length of time between the payment date and the completion date of legal assignment (i.e. the date when the customers obtain control of the properties) based on the typical arrangements entered into with the customers.

Where such advance payment schemes include a significant financing component, the transaction price will need to be adjusted to separately account for this component. Such adjustment will result in interest expense being recognised to reflect the effect of the financing benefit obtained from the customers during the period between the payment date and the completion date of legal assignment, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer. However, the actual extent of impact of this new accounting policy will also depend on whether and by how much such interest expense can be capitalised as part of the cost of the properties under HKAS 23, Borrowing costs. If the interest expense is to be capitalised until the construction work is completed, then this new accounting policy will not have a material impact on the Group's net profits during the construction period and gross profit from the sales of properties. The Group is in the process of assessing the implication of the significant financing component identified from the property sales on its capitalisation policy.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 15, *REVENUE FROM CONTRACTS WITH CUSTOMERS* (continued)

(c) Incremental cost of obtaining a contract

HKFRS 15 requires an entity to recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. The asset recognised shall be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

The Group considered the sales commission of property sales is the incremental costs of obtaining a contract because it incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. It shall be capitalised when incurred and amortised when the customers obtain control of the properties. Currently, the Group's sales commission of property sales is recognised as an expense when incurred. The Group is in the process of assessing the implication of sales commission of property sales on its capitalisation policy.

(d) Sales with a right of return

Currently when the customers are allowed to return the Group's products, the Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales.

The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. As allowed by HKFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. Since the number of "open" contracts for sales of properties at 31 December 2017 is limited, the Group expects that the transition adjustment to be made upon the initial adoption of HKFRS 15 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial results from 2018 onwards.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 16 *LEASES*

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a leasee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss and total comprehensive income over the period of the lease. However, as the Group has no material lease commitment as at 31 December 2017, the application of the new accounting model is expected to have no material impact for the Group's financial statements.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

Financial Summary

Results	For the year ended 31 December				
	2013 *RMB'000*	2014 *RMB'000*	2015 *RMB'000*	2016 *RMB'000*	**2017** ***RMB'000***
Turnover	192,451	790,369	1,556,962	1,400,827	**2,005,308**
(Loss)/Profit before taxation	(74,338)	275,684	342,141	231,410	**780,832**
Income tax expenses	(2,856)	(164,937)	(157,988)	(183,366)	**(521,320)**
(Loss)/Profit for the year (from continuing operations)	(77,194)	110,747	184,153	48,044	**259,512**
Post-tax (loss)/profit of discontinued operations	(2,938)	924	1,210	–	**–**
(Loss)/Profit for the year	(80,132)	111,671	185,363	48,044	**259,512**
Attributable to:					
Owners of the Company	(75,625)	128,182	191,812	65,012	**251,181**
Non-controlling interests	(4,507)	(16,511)	(6,449)	(16,968)	**8,331**
(Loss)/Profit for the year	(80,132)	111,671	185,363	48,044	**259,512**

Assets and Liabilities	As at 31 December				
	2013 *RMB'000*	2014 *RMB'000*	2015 *RMB'000*	2016 *RMB'000*	**2017** ***RMB'000***
Total assets	7,710,839	7,244,683	5,666,855	5,264,842	**5,194,638**
Total liabilities	5,631,167	5,542,970	4,281,173	3,576,328	**3,259,117**
Net assets	2,079,672	1,701,713	1,385,682	1,688,514	**1,935,521**
Equity attributable to the owners of the Company	1,783,730	1,400,608	1,091,026	1,368,873	**1,606,571**
Non-controlling interests	295,942	301,105	294,656	319,641	**328,950**