WUZHOU INTERNATIONAL

(Incorporated in the Cayman Islands with limited liability)

Stock code：01369

WUZHOU INTERNATIONAL HOLDINGS LIMITED

五洲國際控股有限公司

ANNUAL REPORT

2017

RESPONSIBLE REAL ESTATE

Healthy Commercial Business

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Shu Cecheng (Chairman)
Mr. Shu Cewan (Chief Executive Officer)

Non-Executive Director
Mr. Wang Wei

Independent Non-Executive Directors
Dr. Song Ming
Mr. Lo Kwong Shun, Wilson
(resigned on 4 September 2017)
Prof. Shu Guoying
Mr. Zhou Chen (appointed on 1 December 2017)

COMPANY SECRETARY

Mr. Cheung Man Hoi

AUTHORIZED REPRESENTATIVES

Mr. Cheung Man Hoi
Mr. Shu Cecheng

AUDIT COMMITTEE

Mr. Lo Kwong Shun, Wilson (Committee Chairman)
(resigned on 4 September 2017)
Mr. Zhou Chen (Committee Chairman)
(appointed on 1 December 2017)
Dr. Song Ming
Prof. Shu Guoying

REMUNERATION COMMITTEE

Dr. Song Ming (Committee Chairman)
Mr. Shu Cewan
Prof. Shu Guoying

NOMINATION COMMITTEE

Mr. Shu Cecheng (Committee Chairman)
Dr. Song Ming
Mr. Lo Kwong Shun, Wilson
(resigned on 4 September 2017)
Mr. Zhou Chen (appointed on 1 December 2017)

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

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

LEGAL ADVISORS

As to Hong Kong Law
Nixon Peabody CWL

As to PRC Law
Global Law Office

As to Cayman Islands Law
Walkers

REGISTERED OFFICE

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

CORPORATE HEAD OFFICE IN HONG KONG

Unit 5105, 51/F
The Center
99 Queen's Road Central
Central
Hong Kong

CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

19th Floor
Wuzhou International Columbus Plaza Tower B
287 Guangyi Road
Wuxi
China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

Share Listing

The Company's ordinary shares
The Stock Exchange of Hong Kong Limited
Stock Code: 01369

Senior Notes Listing

The Company's 13.75%, 5 years senior notes due 2018
The Stock Exchange of Hong Kong Limited
Stock code: 05970

WEBSITE

http://www.wz-china.com

GENERATE WEALTH for the Society


热烈祝贺五洲国际副食品盛大开业
鄂南商贸

FINANCIAL HIGHLIGHTS

Key income statement items

(RMB million)	2017	2016
Revenue	**3,546**	3,788
Sale of properties	**3,172**	3,436
Revenue from property operations[1]	**374**	352
Gross profit	**683**	1,345
Gross margin	**19.3%**	35.5%
(Loss)/profit for the year	**(576)**	109
(Loss)/profit attributable to owners of the Company	**(518)**	101
Basic and diluted EPS (RMB cents)	**(10.39)**	2.02

Note:

1 Revenue from property operations includes rental income, commercial and property management service income, property consulting service income, commissions from concessions from concessionaire sales and others, after deduction of allowances for returns and trade discounts.

Key balance sheet items

(RMB million)	End of 2017	End of 2016
Total assets	**24,845**	23,470
Total liabilities	**21,059**	19,320
Total equity	**3,786**	4,150
Equity attributable to owners of the Company	**3,249**	3,645
Cash[1]	**1,838**	3,761
Total debt	**11,207**	10,615
Long-term debt[2]	**3,423**	5,927
Short-term debt	**7,784**	4,688
Net gearing[3]	**247.5%**	165.2%

Notes:

1 Including restricted cash and pledged deposits.

2 Including interest-bearing bank and other borrowings, senior and convertible notes and corporate bonds.

3 Net gearing is calculated as net debt (aggregated interest-bearing bank and other borrowings, senior and convertible notes and corporate bonds net of cash and cash equivalents, pledged deposits and restricted cash) over the total equity.

HIGHLIGHTS OF THE YEAR

2017

In January

1. Wuzhou International conducted its non-public issue of bonds with a principal of RMB1 billion and an annual coupon rate of 7.3%, it was the first issue of bonds by Wuzhou International in 2017.

On 25 March

2. Zhengzhou Wuzhou City e-Park・Zhengxi e-Commerce Industry Base held its opening ceremony.

On 1 April,

3. The launch of Yongchuan Wuzhou City in Chongqing got off to a roaring start.

On 14 May

4. 五米陽光 in Luoyang Wuzhou International Industrial Exhibition City, the first high rise apartment, was officially launched for sale.

On 16 June

5. Luoyang Wuzhou International Cross-border E-commerce Industrial Park Customs Clearance Platform officially commenced operation. Cross-border goods and items which were required to complete customs declaration in Zhengzhou, Qingdao or Shanghai may now have it completed through the platform.

In June

6. Wuzhou International acquired a high-end residential projects, namely 檀山府 in Shengzhou, Shaoxing, Zhejiang. Such move represents the expansion of Wuzhou International into the business of pure residential real estate.

On 1 July

7. Dali Wuzhou • Bin Hai Yang Guang was officially completed. With excellent geographical location, a variety of apartment types and unique architectural design, the project established a high-quality residential community in Dali. The project was launched for sale on 23 September.

On 2 July

8. Wuxi Wuzhou International Industrial Exhibition City Phase VI – 收官中心城 held its foundation stone laying ceremony.

On 18 August

9. Chongqing Zhong County Wuzhou International Trade Logistics Park Project held its groundbreaking ceremony.

On 30 September

10. Wuzhou International entered into a cooperative agreement with China Supply and Marketing Agricultural Production Wholesale Market Holding Co., Ltd.* (中國供銷農產品批發市場控股有限公司) for establishing China Supply and Marketing Wuzhou City in Fushun, a thousand-acre industrial city.

* For identification purpose only

On 19 November

11. Press conference announcing the completion of the 42nd project of Wuzhou International located in Loudi, Hunan

On 24 November

12. Wuzhou International Group signed a strategic cooperation agreement with People Electrical Appliance Group at China Electrics & Electronic Appliance City.

In December

13. Wuzhou International was awarded an entrusted management contract by HNA Group for the management of CCOOP MALL.

HONOURS AND AWARDS

2017 Top 100 Property Management Companies in China

2017 Top 100 Commercial Real Estate Developer in China

Brand Building Role Model in Real Estate Industry in China for 25 years

2017 The Leading Commercial Real Estate Brand in China

2017 The Leading Commercial Property Management Company in China

2017 Top 500 Private Enterprises in China

2017 TOP 100 Property Companies in terms of Integrated Capability

The Best Commercial Real Estate Developer and Operator for the year

2017 Top 100 Eco-Industrial-Urban Operator in China

2017 Top 100 Chinese Enterprises in terms of Value of Commercial Properties

SOCIAL RESPONSIBILITIES

CARING FOR SENIOR CITIZENS, A VISIT TO A NURSING HOME FOR ELDERLY IN LIUSHI, YUEQING BY WUZHOU INTERNATIONAL

On 28 October 2017, the Double Ninth Festival, Yueqing Women's Federation, Wuzhou International Electrics & Electronic Appliance City and the Winners of Madame Wuzhou Pageant in Yueqing organised the "Caring for Senior Citizens" activity and paid a visit to a nursing home for elderly in Liushi, Yueqing, with an aim to celebrate with the elderly and make them feel loved and blessed.

During the visit, we provided befriending services, including health chats with the elderly, having knowledge of the actual situation and demands of the nursing home and delivery of flowers and presents to the elderly. Caring elderly and treating them with respect are the obligations of each of us as well as the key to building a harmonious society. Staying healthy and longevity of elderly are blissful for the family and the society. The elderly once contributed their youth to their families and the society, they should be entitled to the returns of the development and be given love, protection and care they deserve.

China Electrics & Electronic Appliance City, as one the key projects of Wenzhou Business Combacks, has eagerly accepted social responsibility since its establishment by participating into a number of public welfare activities to benefit the local people. Such "Double Ninth Festival - Caring for Senior Citizens" activity was highly appreciated in the society as it preserved the tradition of respecting elderly, contributed to building a harmonious society as well as embodied Wuzhou International's development objective of "Being a responsible real estate developer and staying healthy in business".

"RAINBOW BRIDGE" CHARITY ACTIVITY ORGANISED BY RUIAN WUZHOU INTERNATIONAL TRADE CITY

During the Golden Week for the National Day of the People's Republic of China and the Mid-Autumn Festival in 2017, the volunteer team, formed by merchants of various brands in Ruian Wuzhou International Trade City, commenced the "Rainbow Bridge" Charity Activity which the volunteer team paid a visit to Nantian Primary School in Wencheng County, Wenzhou City and offered learning resources and student grants to the students living in poverty with an aim to providing the children a better living and learning environment and fulfilling their learning dreams.

To avoid traffic congestion during the Golden Week and spend more time with the children during the holidays, the volunteer team of Ruian Wuzhou International Trade City had sacrificed sleep time and gathered before sunrise to get the learning resources prepared for the visit.

Upon arrival, all children were expecting the team in classroom with curiosity, childlikeness and timidness showing in their eyes. To break ice with the children, the volunteer team members had their red ties tied for them by the children arranged by the school. Such tie was thus characterised by close distance and friendliness, the children became cheerful and enjoyable and each team members could experience the heartwarming moments.

On the way back, the volunteer team members expressed that being with children in holidays was worthwhile. They wished the children would feel their love and affection in this winter.

Education charity is a long term and challenging duty, Wuzhou International will continue to pay attention to and help the children in poverty, benefiting more people from our charity efforts.

CHAIRMAN'S STATEMENT

WUZHOU INTERNATIONAL

is committed to building an integrated trading platform for customers and becoming a leading developer and operator of integrated trading and logistics platform

On behalf of the board (the "Board") of directors (the "Directors"), I hereby present the annual results of Wuzhou International Holdings Limited ("Wuzhou International" or the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2017.

China's gross domestic product ("GDP") grew by 6.9% in 2017 as compared to 2016, demonstrating a concrete progress made in supply-side reform. The property market was regulated in 2017 to an unprecedented extent in terms of the depth and the width, curbing property bubbles for rational development. Under the property regulation policy of the Chinese government, the increase in overall housing sales volume in China in 2017 was less than those in 2016 and high destocking pressure remained in the commercial property market.

ANNUAL RESULTS

During the year, the turnover of the Group was approximately RMB3,546 million, representing a decrease of 6.4% to that of 2016. The Company recorded loss for the year attributable to the owners of the Company of approximately RMB518 million in 2017, as compared to a profit of RMB101 million in 2016.

OPERATIONAL REVIEW

Sales Performance

The Group's investment has focused on "production oriented markets", "markets which relocated away from city centre" and "industry demand based markets" to ensure accurate marketing and quality operation of the trade logistics parks of the Group. In 2017, the Group recorded contracted sales of approximately RMB4,442 million with gross floor area ("GFA") of contracted sales of approximately 623,000 square metres ("sq.m."), among which approximately RMB3,743 million or 514,000 sq.m. was from the sales of trade logistics centers, while approximately RMB699 million or approximately 109,000 sq.m. was from the sales of multifunctional commercial complexes.

BUSINESS STRATEGY

Wuzhou International is committed to building an integrated trading platform for customers and becoming a leading developer and operator of integrated trading and logistics platform, providing small and medium enterprises in China effective one-stop integrated services. In view of sluggish macroeconomic performance, the strategy of the Group was aimed at properly managing the speed of projects development, reducing capital expenditures and accelerating cash collection. The Company will continue to accelerate resources integration along the trade logistics industrial chain and build up a new business model with the "service platform for trade logistics of the industrial chain" as the core and "light asset business" and "development and operation of trade logistics parks" as the complements. The Company will duly expand its land bank for residential use, improve cash flows from operations, accelerate destocking and take deleverage measures for building a solid development system, allowing the Company to be the leading operator of integrated trade logistics platforms in China.

Establishing Wide Range of Financing Pipes

The Group has closely monitored the domestic capital market. Wuxi Wuzhou International Ornamental City Co., Ltd.* (無錫五洲國際裝飾城有限公司) ("Wuxi Wuzhou"), a wholly-owned subsidiary of the Company, issued the third tranche of non-public onshore corporate bonds (the "Corporate Bonds") in the People's Republic of China (the "PRC") in January 2017. The tranche was issued in an amount of RMB1 billion for a term of three years with an annual coupon rate of 7.30%. The issue of the Corporate Bonds has reduced the Group's finance cost and improve its debt structure and liquidity, providing the Group concrete financial support for business development. In 2017, Wuzhou International actively participated in various investor road shows, reverse road shows and investor forums and conferences held by banks, allowing us to present our unique model of business operation and investment advantages to investors. We put efforts in maintaining good investor relations and sound corporate transparency that reflected in value for the Company's shareholders (the "Shareholders").

* For identification purpose only

BROAD RECOGNITION BY THE PUBLIC AND IN THE INDUSTRY

As a reputable listed company engaged in diversified business activities, including property development, commercial management, e-commerce, storage and logistics as well as property management, Wuzhou International has always shouldered its social responsibility and had keen interests in public welfare. In addition to the facilitation of rapid development of its business, social responsibility has been an integral part of our long-term development strategy for over a decade. The development of Wuzhou International in adherence to its mission of pursuing "Responsible Real Estate and Healthy Commercial Business" has earned the respect of and commendation from its Shareholders, clients, business partners and industry peers. The Group has repeatedly earned an array of awards and recognition, such as "The Best Developer and Operator of Trade Logistics", "Top 10 Commercial Property Developers in China", "Top 100 Property Services Enterprises in China" and "Top 100 Private Enterprises in China". In 2017, we remained on the list of the Top 500 Private Enterprises in China.

APPRECIATIONS

Close cooperation and coordination among property industry, goodwill and stakeholders as well as enthusiastic support are crucial to success of an enterprise. We would like to thank our cooperation partners as well as our Shareholders and investors for their constant support. We hereby express our sincere gratitude to the customers who witness the value and quality of our products. Winning customer confidence is essential to brand building, and is our real value in the market. Last but not least, we would like to show our appreciation to our Directors, senior management and employees for their contributions and hard work, providing the Group a driving force for growth and a concrete foundation for expansion. Their continuous supports will provide us new momentum and confidence in the coming year. At last, I would like to take this opportunity to express my gratitude to our Directors for their leadership and to all the staff for their dedication and hard work.

Wuzhou International Holdings Limited
Shu Cecheng
Chairman

29 March 2018

CREATE VALUE for our Customers

PROVIDE A PLATFORM for our Employees

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

MARKET REVIEW

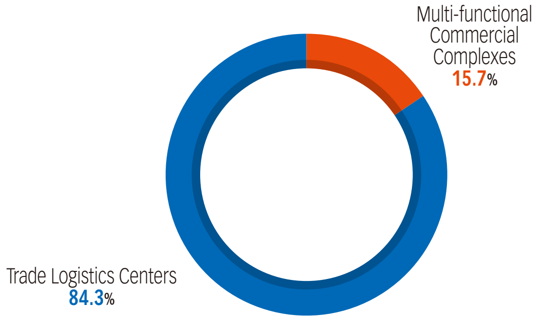
China's GDP grew by 6.9% in 2017 as compared to 2016, demonstrating a concrete progress made in supply-side reform. The property market was regulated in 2017 to an unprecedented extent in terms of the depth and the width, curbing property bubbles for rational development. Under the property regulation policy of the Chinese government, the performance of destocking in third and fourth-tier cities was satisfactory. Although there was the ripple effect of property price rises spreading from the second tier cities to the third or fourth-tier cities, the growth of most performance indicators of the property market, such as sales volume, average price and land acquisition, were less than those in 2016. Saleable area of commodity housing for the first three quarters of 2017 in China was 611.40 million sq.m., representing a year-to-year growth of 12.2%. High destocking pressure remained in the commercial property market. With the destocking pressure in the commercial property market, the PRC government has tightened control over the commercial property market, and targeted policies and optimisation of supply structure for increment markets have posed challenges to the business operation of the Group.

BUSINESS REVIEW

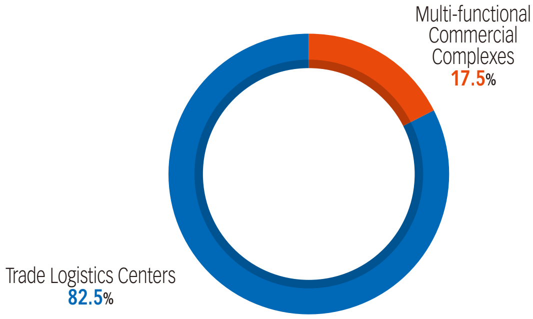
I. Contracted sales

During the year, the Group recorded contracted sales and contracted sales area of approximately RMB4,442 million and approximately 623,000 sq.m., representing an increases of 9.2% and a decrease of 3.1% as compared with the previous year, respectively. Approximately RMB3,743 million and 514,000 sq.m. were from the sales of the trade logistics centers. Approximately RMB699 million and 109,000 sq.m. were from the sales of multi-functional commercial complexes.

Percentage of contracted sales amount by categories

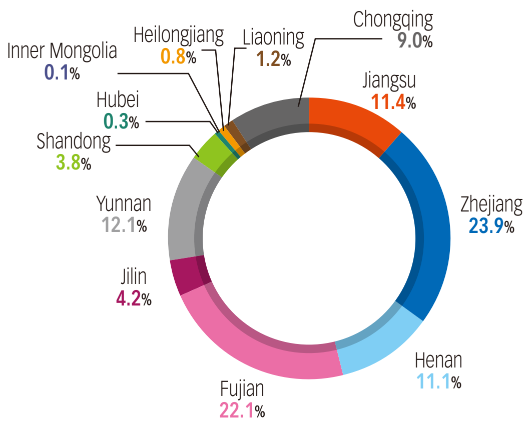


Percentage of contracted sales area by categories

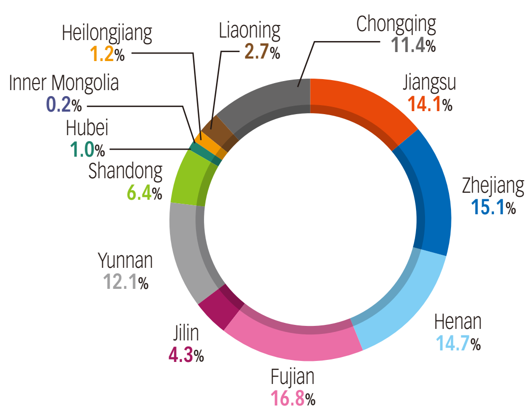


Region	Contracted sales amount		Contracted sales area	
	RMB million	*Percentage (%)*	*'000 sq.m.*	*Percentage (%)*
Jiangsu Province	505	11.4%	88	14.1%
Zhejiang Province	1,059	23.9%	94	15.1%
Henan Province	493	11.1%	92	14.7%
Fujian Province	983	22.1%	105	16.8%
Jilin Province	188	4.2%	27	4.3%
Yunnan Province	539	12.1%	75	12.1%
Shandong Province	168	3.8%	40	6.4%
Hubei Province	15	0.3%	6	1.0%
Inner Mongolia	5	0.1%	1	0.2%
Heilongjiang Province	37	0.8%	7	1.2%
Liaoning Province	53	1.2%	17	2.7%
Chongqing City	397	9.0%	71	11.4%
Total	4,442	100.0%	623	100.0%

Percentage of contracted sales amount by regions

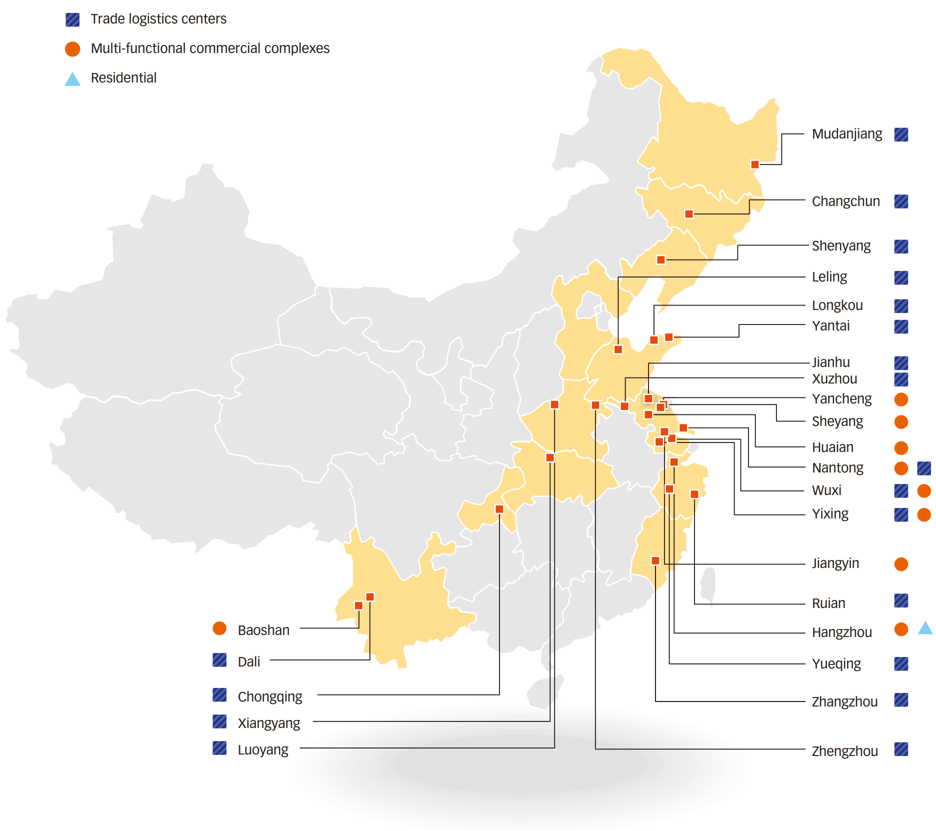


Percentage of contracted sales area by regions



II. Project Development

As at 31 December 2017, the Group had 41 development projects in Jiangsu, Zhejiang, Shandong, Hubei, Yunnan, Heilongjiang, Jilin, Henan, Liaoning, Chongqing and Fujian, including 25 trade logistics centers, 15 multi-functional commercial complexes and 1 residential project.



Completed projects

During the year, the Group completed a total of 34 projects or project phases with a total GFA of approximately 5,776,000 sq.m., including approximately 3,295,000 sq.m. of GFA sold and delivered and approximately 833,000 sq.m. of GFA held for lease.

List of completed projects

Province	Project name	City	Category	Interests attributable to the Company	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
Jiangsu Province									
1	Wuxi Wuzhou International Ornamental City	Wuxi	Trade logistics center	100%	392	340	242	2	96
2	Wuxi Wuzhou Industrial Exhibition City	Wuxi	Trade logistics center	100%	523	464	348	4	112
3	Wuxi Wuzhou International Columbus Plaza	Wuxi	Multi-functional commercial complex	64%	212	168	108	2	58
4	Wuxi Wuzhou International Chinese Food Culture Exposition City	Wuxi	Multi-functional commercial complex	62%	191	154	94	14	46
5	Meicun Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	54	40	19	–	21
6	Yangjian Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	142	105	69	18	18
7	Jianhu Wuzhou International Trade City	Yancheng	Trade logistics center	100%	107	107	80	27	–
8	Longteng Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	91	71	40	8	23
9	Yancheng Wuzhou International Plaza	Yancheng	Multi-functional commercial complex	100%	127	99	59	15	25
10	Xuyi Wuzhou International Plaza	Huai'an	Multi-functional commercial complex	100%	233	185	116	15	54
11	Luoshe Wuzhou International Columbus Dragon City	Wuxi	Multi-functional commercial complex	100%	52	39	20	4	15
12	Jiangyin Wuzhou International Plaza	Jiangyin	Multi-functional commercial complex	90%	225	180	110	36	34
13	Nantong Wuzhou International Plaza	Nantong	Multi-functional commercial complex	51%	360	256	181	13	62
14	Yixing Wuzhou International Huadong Trade City	Yixing	Trade logistics center	100%	65	64	35	4	25
15	Sheyang Wuzhou International Plaza	Yancheng	Multi-functional commercial complex	100%	132	126	105	21	–
16	Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	74	58	19	–	39
17	Yixing Wuzhou International Plaza	Yixing	Multi-functional commercial complex	51%	51	49	43	6	–
18	Wuzhou International Automobile Exhibition City	Nantong	Trade logistics center	100%	217	189	145	44	–
Yunnan Province									
19	Dali Wuzhou International Trade City	Dali	Trade logistics center	100%	257	255	219	36	–
20	Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	61%	157	140	87	28	25
Chongqing City									
21	Rongchang Wuzhou International Trade City	Chongqing	Trade logistics center	94%	276	274	139	50	85
Hubei Province									
22	Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Trade logistics center	100%	167	167	161	6	–

Province	Project name	City	Category	Interests attributable to the Company	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
Shandong Province									
23	Yantai Wuzhou International Industrial Exhibition City (Fushan)	Yantai	Trade logistics center	95%	72	71	70	1	–
24	Longkou Wuzhou International Trade City	Yantai	Trade logistics center	95%	114	101	45	31	25
25	Leling Wuzhou International Exhibition City	Leling	Trade logistics center	51%	38	38	38	–	–
Zhejiang Province									
26	Hangzhou Wuzhou International Plaza	Hanzhou	Multi-functional commercial complex	100%	76	59	33	4	22
27	Ruian Wuzhou International Trade City	Rui'an	Trade logistics center	100%	65	63	45	18	–
28	Yueqing Wuzhou International Electrics & Electronic Appliance City	Yueqing	Trade logistics center	100%	310	239	218	10	11
Heilongjiang Province									
29	Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Trade logistics center	100%	91	89	69	20	–
Henan Province									
30	Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Trade logistics center	51%	200	198	139	59	–
31	Xingyang Wuzhou International Industrial Exhibition City	Xingyang	Trade logistics center	100%	341	291	274	17	–
Jilin Province									
32	Changchun Wuzhou International Plaza	Changchun	Trade logistics center	100%	164	161	119	5	37
Liaoning Province									
33	Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Trade logistics center	100%	69	68	64	4	–
Fujian Province									
34	Zhangzhou Wuzhou City	Zhangzhou	Trade logistics center	100%	131	131	123	8	–
				Total	5,776	5,039	3,676	530	833

Projects under development

As at 31 December 2017, the Group had a total of 20 projects or project phases under development with a total planned GFA of 1,622,000 sq.m., including approximately 404,000 sq.m. of GFA pre-sold and approximately 418,000 sq.m. of GFA held for lease.

List of projects under development

Province	Project name	City	Category	Interests attributable to the Company	Estimated construction completion date	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
Jiangsu Province										
1	Wuxi Wuzhou International Ornamental City Phase V Hall F	Wuxi	Trade logistics center	100%	2018	34	26	–	26	–
2	Wuxi Wuzhou International Industrial Exhibition City Hall B	Wuxi	Trade logistics center	100%	2019	84	77	5	72	–
3	Jiangyin Wuzhou International Plaza	Jiangyin	Multi-functional commercial complex	90%	2018	29	27	25	2	–
4	Yixing Wuzhou International Plaza	Yixing	Multi-functional commercial complex	51%	2018	68	44	3	41	–
5	Xuzhou Road-port	Xuzhou	Trade logistics center	70%	2018	189	186	–	–	186
6	Suqian Wuzhou City	Suqian	Trade logistics center	70%	2018	87	84	5	79	–
Yunnan Province										
7	Dali Wuzhou International Trade City	Dali	Trade logistics center	100%	2018	172	156	13	58	85
8	Baoshan Wuzhou International Plaza	Baoshan	Multi-functional commercial complex	61%	2018	51	41	22	19	–
Chongqing City										
9	Rongchang Wuzhou International Trade City Phase II	Chongqing	Trade logistics center	94%	2018	7	7	–	7	–
10	Yongchuan Wuzhou City	Chongqing	Trade logistics center	66%	2018	61	60	56	4	–
11	Wulong Wuzhou International Trade Logistics Park	Chongqing	Trade logistics center	55%	2018	83	64	7	57	–
Hubei Province										
12	Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Trade logistics center	100%	2018	50	48	5	43	–
Shandong Province										
13	Longkou Wuzhou International Trade City	Longkou	Trade logistics center	95%	2018	21	20	3	17	–
14	Yantai Wuzhou International Industrial Exhibition City (Fushan)	Yantai	Trade logistics center	95%	2018	71	65	36	29	–
Zhejiang Province										
15	Rui'an Wuzhou International Trade City	Rui'an	Trade logistics center	100%	2018	171	143	38	7	98
Henan Province										
16	Luoyang Wuzhou International Industrial Exhibition City Phase I	Luoyang	Trade logistics center	51%	2018	11	7	5	2	–
17	Zhengzhou Wuzhou International Industrial Exhibition City	Xingyang	Trade logistics center	100%	2018	146	140	116	24	–

Province	Project name	City	Category	Interests attributable to the Company	Estimated construction completion date	Total GFA ('000 sq.m.)	Total saleable GFA ('000 sq.m.)	GFA pre-sold ('000 sq.m.)	GFA held for sale ('000 sq.m.)	GFA held for lease ('000 sq.m.)
Jilin Province										
18	Changchun Wuzhou International Plaza	Changchun	Trade logistics center	100%	2018	112	72	–	72	–
Liaoning Province										
19	Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Trade logistics center	100%	2018	105	87	18	20	49
Fujian Province										
20	Zhangzhou Wuzhou City	Zhangzhou	Trade logistics center	100%	2018	70	70	47	23	–
				Total		1,622	1,424	404	602	418

Projects planned for future development

As at 31 December 2017, the Group had a total of 18 projects or project phases planned for future development, with a total planned GFA of approximately 4,203,000 sq.m.

List of projects planned for future development

Province	Project	City	Category	Interests attributable to the Company (%)	Total GFA ('000 sq.m.)
Jiangsu Province					
1	Wuxi Wuzhou International Industrial Exhibition City Building Complex	Wuxi	Trade logistics center	100%	62
2	Sheyang Wuzhou International Plaza	Yancheng	Multi-functional commercial complex	100%	307
3	Qianzhou Wuzhou International Plaza	Wuxi	Multi-functional commercial complex	100%	27
4	Yixing Wuzhou International Huadong Trady City	Yixing	Trade logistics center	100%	211
5	Wuzhou International Automobile Exhibition City	Nantong	Trade logistics center	100%	220
Chongqing City					
6	Rongchang Wuzhou International Trade City Phase II	Chongqing	Trade logistics center	94%	190
7	Wulong Wuzhou International Trade Logistics Park	Chongqing	Trade logistics center	55%	83
8	China Supply and Marketing. Wuzhou Guomao Centre	Chongqing	Trade logistics center	55%	153
Yunnan Province					
9	Dali Wuzhou International Trade City Phases II and III	Dali	Trade logistics center	100%	916

Province	Project	City	Category	Interests attributable to the Company (%)	Total GFA ('000 sq.m.)
Shandong Province					
10	Leling Wuzhou International Exhibition City Phase I	Leling	Trade logistics center	51%	414
11	Longkou Wuzhou International Trade City	Yantai	Trade logistics center	95%	100
Hubei Province					
12	Xiangyang Wuzhou International Industrial Exhibition City	Xiangyang	Trade logistics center	100%	694
Heilongjiang Province					
13	Mudanjiang Wuzhou International Industrial Exhibition City	Mudanjiang	Trade logistics center	100%	221
Henan Province					
14	Luoyang Wuzhou International Industrial Exhibition City	Luoyang	Trade logistics center	51%	64
Jilin Province					
15	Jilin Wuzhou International Trade City	Jilin	Trade logistics center	100%	70
Liaoning Province					
16	Shenyang Wuzhou International Industrial Exhibition City	Shenyang	Trade logistics center	100%	86
Zhejiang Province					
17	Yueqing Wuzhou International Electrics & Electronic Appliance City	Yueqing	Trade logistics center	100%	273
18	Wuzhou International Tanshanfu	Hanzhou	Residential Project	51%	112
				Total	4,203

III. Land bank

The Group considers that acquiring ample land bank at reasonable costs is crucial to the long term development and profitability of the Company. The Group carried out in-depth studies on local urban planning and acquired lands of substantial development potential in order to build new commercial areas and design projects in line with market demand. During the year under review, the Group was committed to securing a land bank at the regions we operate, while actively exploring and developing other regions, allowing the Group to expand its land bank nationwide.

As of 31 December 2017, the total planned GFA of land bank amounted to approximately 7,462,000 sq.m., including approximately 1,637,000 sq.m. for completed projects, approximately 1,622,000 sq.m. for projects under development and approximately 4,203,000 sq.m. for projects planned for future development. The land bank is sufficient for the development of the Group in the future three to five years.

As at 31 December 2017, the breakdown of the Group's land bank is as follows:

Region	Completed projects	Projects under development	Projects planned for future development (’000 sq.m.)	Total planned GFA of land bank (’000 sq.m.)	Percentage
Jiangsu Province	980	491	827	2,298	31%
Yunnan Province	96	223	916	1,235	17%
Hubei Province	9	50	694	753	10%
Shandong Province	54	92	514	660	9%
Zhejiang Province	162	171	385	718	10%
Heilongjiang Province	27	–	221	248	3%
Henan Province	165	157	64	386	5%
Jilin Province	9	112	70	191	2%
Liaoning Province	13	105	86	204	3%
Chongqing City	63	151	426	640	8%
Fujian Province	59	70	–	129	2%
Total	1,637	1,622	4,203	7,462	100%

IV. Centralized operation, management and marketing

Most of the purchasers of our retail stores entered into exclusive operation and management agreements with the Group, under which the Group received management service income from the purchasers for managing and controlling the leases of the retail shops, event organization and ancillary service provision. The Group also provided the purchasers with services such as project positioning, planning, design, construction, planning and marketing, leasing and operation so as to ensure the centralized operation of projects. In addition, the Group also provided general property management services for tenants and occupants.

The Group develops and operates its trade logistics centers and multi-functional commercial complexes under the brands of “Wuzhou International” and “Columbus”. In order to unify the brand image of its Trade logistics centers and multi-functional commercial complexes, its professional planning and marketing team is responsible for formulating the nation-wide promotion strategies and coordinating marketing activities. During the year under review, both the brand effect and visitor flow of its trade logistics centers and multi-functional commercial complexes recorded significant growth attributable to various marketing and promotion activities and sponsorship for a number of activities. Moreover, asset management, construction, design and operation capability of the Group were highly recognized in the industry. As a result, the brands “Wuzhou International” and “Columbus” were well-received in the places where the Group operates.

V. Outlook

Looking forward to 2018, China's economy has promising prospects in terms of consumption, investment, import and export as well as development of real economy, and it is confident that the target of 6.5% national economic growth would be achieved. It is expected that economic growth will be positive without any material adverse change. For the government policy on property market, the PRC government has signaled its determination to regulate the property market without any intention of relaxing any policies introduced, maintaining the continuity and stability of the policies. As investments in the industry are expected to grow progressively and profit of the industry players tends to rebound, the Group is cautiously optimistic about the operating environment in 2018.

The Company will continue to accelerate resources integration along the trade logistics industrial chain and build up a new business model with the "service platform for trade logistics of the industrial chain" as the core and "light asset business" and "development and operation of trade logistics parks" as the complements. The Company will duly expand its land bank for residential use, improve cash flows from operations, accelerate destocking and take deleverage measures for building a solid development system, allowing the Company to be the leading operator of integrated trade logistics platforms in China.

CLARIFICATIONS IN RELATION TO THE INTERIM RERORT

The Company refers to the following disclosure made on page 52 under Note 23 "Business Combination" under the Notes to Unaudited Interim Financial Information in the Company's interim report for the six months ended 30 June 2017:

"On 24 January 2017, the Group acquired a 100% equity interest in Jiangsu Wufeng Property Development Co., Ltd. ("Jiangsu Wufeng"), an unlisted company with a registered capital of RMB386,880,000 from Mr. Huang Qifeng, Lin Jianshan, Lin Yunzan, Taishun Kaizheng Investment Management Co., Ltd. and Suzhou Junzilan Construction Machinery Manufacturing Co., Ltd. The purchase consideration is RMB386,880,000 as at the acquisition date."

The Company would like to clarify that the above disclosure was subject to the following supplemental information. Details of the transaction should be as follows:

On 21 January 2017, Wuxi Zhouyue Commercial Development Company Limited ("Wuxi Zhouyue"), an indirect non-wholly-owned subsidiary of the Company, entered into an agreement with the vendors (namely Mr. Huang Qifeng, Mr. Lin Jianshan, Mr. Lin Yunzan, Taishun Kaizheng Investment Management Co., Ltd. and Suzhou Junzilan Construction Machinery Manufacturing Co., Ltd.) (collectively, "Vendors"). Pursuant to the agreement, the Vendors agreed to sell and Wuxi Zhouyue agreed to purchase 100% equity interest in each of Jiangsu Wufeng Zhiye Company Limited ("Wufeng Zhiye"), Kunshan Purui Site Mechanics Manufacturing Company Limited and Kunshan Wufeng Plaza Business Management Company Limited (collectively, "Target Companies"). Pursuant to the agreement, Wuxi Zhouyue and the Vendors agreed that the consideration for the sale and purchase of the Target Companies shall be in the form of assumption by Wuxi Zhouyue of the Vendors' liability for repayment of debt owed towards Wufeng Zhiye (one of the Target Companies). Accordingly, on 23 January 2017, Wuxi Zhouyue executed the commitment letter to assume the Vendors' liability for repayment of the sum of approximately RMB484,839,000 owed towards Wufeng Zhiye.

Pursuant to the agreement, Wuxi Zhouyue shall also provide a loan in the principal amount of RMB20 million to a named individual for a term of 12 months from the drawdown date. Accordingly, on 23 January 2017, Wuxi Zhouyue entered into the loan agreement with such named individual. On 24 January 2017, on behalf of Wuxi Zhouyue, Wuxi Zhouhui Commercial Development Company Limited ("Wuxi Zhouhui"), one of the non-controlling shareholders of Wuxi Zhouyue, advanced the loan to such named individual pursuant to the said loan agreement. Such advance was provided by Wuxi Zhouhui to Wuxi Zhouyue on an interest-free basis and was not secured by the assets of the Group.

On 29 November 2017, the Group entered into agreements ("Disposal Agreements") for the disposal of 51% of the equity interest of Wuxi Zhouyue at an aggregate cash consideration of RMB3. On 12 December 2017, the local administration for industry and commerce approved the change in the shareholders of Wuxi Zhouyue as a result of the said disposal. Upon the approval, the Company's interest in Wuxi Zhouyue reduced from 60% to 9%, and therefore Wuxi Zhouyue and each of the Target Companies ceased to be accounted for as a subsidiary of the Company. On 18 December 2017, Wufeng Zhiye, the major operating company among the Target Companies held by Wuxi Zhouyue, applied to the PRC court for winding up due to insufficiency of capital resources to finance its operations and satisfy its debt obligations. The Directors are of the opinion that Group's remaining interest in Wuxi Zhouyue was insignificant as at the date of the Disposal Agreements and 31 December 2017, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

Our revenue comprises mainly income from the sale of properties, rental income, commercial and property management service income and property consulting service income after deduction of allowances for returns and trade discounts.

For the year ended 31 December 2017, turnover of the Group amounted to approximately RMB3,546 million, representing a decrease of 6.4% from approximately RMB3,788 million for the corresponding year in 2016. Loss for the year attributable to the owners of the Company was approximately RMB518 million, representing a decrease of 615.5% from approximately a profit of RMB101 million for the corresponding year in 2016.

Sale of Properties

Revenue from the sale of properties is recognized (i) when the significant risks and rewards of ownership of the properties are transferred to the purchasers; (ii) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties, are retained; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and (v) the cost incurred or to be incurred in relation to the transaction can be measured reliably. We consider that the significant risks and rewards of ownership are transferred when the construction of relevant properties has been completed and the properties have been delivered to the purchasers.

Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development decreased by 7.7% to approximately RMB3,172 million for the year ended 31 December 2017 from approximately RMB3,436 million for the corresponding year in 2016. This decrease was the combined effects of a decrease in total GFA sold, a decrease in the average selling price, an increase in land cost and an increase in construction cost of properties sold to our customers.

The table below sets forth the total revenue derived from each of the projects and the aggregate GFA of properties sold in the year of 2017 and 2016.

	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Total revenue	GFA	Average selling price	Total revenue	GFA	Average selling price
	RMB'000	*sq.m.*	*RMB*	*RMB'000*	*sq.m.*	*RMB*
Yueqing Wuzhou International Electrics & Electronic Appliance City	**1,186,540**	**121,811**	**9,741**	608,939	57,627	10,567
Zhangzhou Wuzhou City	**516,151**	**71,933**	**7,175**	–	–	–
Yixing Wuzhou International Plaza	**215,899**	**40,149**	**5,377**	–	–	–
Huai'an Wuzhou International Plaza	**190,480**	**44,445**	**4,286**	–	–	–
Changchun Wuzhou International Plaza	**137,832**	**20,065**	**6,869**	660,035	94,339	6,996
Zhengzhou Wuzhou International Industrial Exhibition City	**129,011**	**23,953**	**5,386**	415,081	79,558	5,217

	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Total revenue *RMB'000*	GFA *sq.m.*	Average selling price *RMB*	Total revenue *RMB'000*	GFA *sq.m.*	Average selling price *RMB*
Dali Wuzhou International Trade City	**104,351**	**13,743**	**7,593**	123,066	19,441	6,330
Wuxi Wuzhou International Industrial Exhibition City	**86,904**	**23,612**	**3,681**	2,510	414	6,063
Baoshan Wuzhou International Plaza	**70,698**	**8,916**	**7,929**	218,150	47,852	4,559
Luoyang Wuzhou International Industrial Exhibition City	**70,394**	**17,589**	**4,002**	79,896	15,926	5,017
Mudanjiang Wuzhou International Industrial Exhibition City	**63,596**	**13,349**	**4,764**	53,248	11,206	4,752
Longkou Wuzhou International Trade City	**56,327**	**8,589**	**6,558**	22,444	3,010	7,456
Ruian Wuzhou International Trade City	**43,125**	**14,237**	**3,029**	21,318	2,238	9,525
Shenyang Wuzhou International Industrial Exhibition City	**39,084**	**8,796**	**4,443**	42,379	8,341	5,081
Wuzhou International Automobile Exhibition City	**36,638**	**10,185**	**3,597**	3,727	551	6,764
Sheyang Wuzhou International Plaza	**36,170**	**10,306**	**3,510**	50,799	15,010	3,384
Nantong Wuzhou International Plaza	**35,424**	**4,144**	**8,548**	185,497	17,737	10,458
Leling Wuzhou International Exhibition City	**31,663**	**9,855**	**3,213**	11,728	6,074	1,931
Rongchang Wuzhou International Trade City	**24,985**	**7,594**	**3,290**	22,558	9,344	2,414
Yantai Wuzhou International Industrial Exhibition City (Fushan)	**24,559**	**3,246**	**7,566**	75,774	12,702	5,966
Xiangyang Wuzhou International Industrial Exhibition City	**16,032**	**6,438**	**2,490**	16,611	6,316	2,630
Hangzhou Wuzhou International Plaza	**13,714**	**326**	**42,067**	23,290	875	26,617
Wuxi New District Columbus Plaza	**12,152**	**1,390**	**8,742**	43,924	7,745	5,671
Wuxi Wuzhou International Ornamental City	**10,916**	**1,218**	**8,962**	20,143	1,803	11,172
Luoshe Wuzhou International Columbus Dragon City	**10,300**	**939**	**10,969**	46,926	4,025	11,659
Jiangyin Wuzhou International Plaza	**4,765**	**1,073**	**4,441**	76,645	13,392	5,723
Wuxi Wuzhou International Columbus Plaza	**2,651**	**446**	**5,944**	7,276	1,197	6,079
Qianzhou Wuzhou International Plaza	**1,527**	**50**	**30,540**	157,826	15,639	10,092

	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Total revenue *RMB'000*	GFA *sq.m.*	Average selling price *RMB*	Total revenue *RMB'000*	GFA *sq.m.*	Average selling price *RMB*
Yixing Wuzhou International Huadong Trade City	**159**	**43**	**3,698**	74,542	17,008	4,383
Yancheng Wuzhou International Plaza	**–**	**–**	**–**	274,461	32,138	8,540
Wuxi Wuzhou International Chinese Food Culture Exposition City	**–**	**–**	**–**	96,110	11,371	8,452
Yangjian Wuzhou International Plaza	**–**	**–**	**–**	1,460	72	20,278
Jianhu Wuzhou International Trade City	**–**	**–**	**–**	112	44	2,545
Total	**3,172,047**	**488,440**	**6,494**	3,436,475	512,995	6,699

Rental Income

Rental income generated from rental of investment properties decreased by 9.5% to approximately RMB106 million for the year ended 31 December 2017 from approximately RMB117 million for the corresponding year in 2016. The decrease was primarily due to the weak demand of commercial properties.

Commercial Management Service Income and Property Management Service Income

We generate commercial management service income from most purchasers of the retail units at our projects pursuant to our exclusive operation and management agreements. Under these agreements, which we enter into with the purchasers at the pre-sale stage, we typically receive commercial management service income equivalent to the entire rental value of the underlying properties for the first three years, which typically commence upon the opening for operation of the building where the property is located, and then 10% of the rental value for the remaining years. In practice, we collect rents directly from the tenants of the underlying properties, retain our commercial management service fees and remit the remainder, if any, to the purchasers. To attract tenants, we may offer selected tenants rent-free periods ranging from two to six months. We typically secure tenants for the vast majority of the purchasers prior to the commencement of the initial period. Since we charge commercial management service fees based on the rental value of the underlying properties, we will not be able to receive any commercial management service fees in the event we are unable to lease out the underlying properties.

Commercial management service income increased by approximately 45.8% to approximately RMB148 million for the year ended 31 December 2017 from approximately RMB101 million for the corresponding year in 2016. Property management service income increased by 355.3% to approximately RMB24 million for the year ended 31 December 2017 from approximately RMB5 million for the corresponding year in 2016. The increase in commercial management service income was primarily due to the increase in the GFA of the properties operated and managed by us, while the increase in property management service income was due to expiration of a service contract with a property management supplier in Wuxi and the operation of property management service was taken back by the Group for a project in Wuxi.

Property consulting service income

Property consulting service income represents the revenue from consulting and advisory service rendered by the Group to third party companies in their development and construction of commercial properties.

Property consulting service income decreased by 27.4% to approximately RMB58 million for the year ended 31 December 2017 from approximately RMB80 million for the corresponding year in 2016, which was mainly resulted from the decrease in business volume of the services in the second half of the year.

GROSS PROFIT AND MARGIN

Gross profit decreased by 49.2% to approximately RMB683 million for the year ended 31 December 2017 from approximately RMB1,345 million for the corresponding year in 2016. Gross profit margin decreased to 19.3% for the year ended 31 December 2017 from 35.5% for the corresponding year in 2016. The decrease in gross profit was in line with the decrease in revenue and gross profit margin for the year ended 31 December 2017. While the decrease in our gross margin was the net effects of the decrease in average selling price, change in product mix and the increase in recurring income of the Group.

OTHER INCOME AND GAINS

Other income and gains decreased by 18.6% to approximately RMB253 million for the year ended 31 December 2017 from approximately RMB311 million for the corresponding year in 2016. Other income and gains are mainly represented by subsidy income, interest income, foreign exchange gain, fair value gain of convertible notes, gain on disposal of subsidiaries and certain non-recurring income and gains.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses decreased by 5.2% to approximately RMB271 million for the year ended 31 December 2017 from approximately RMB286 million for the corresponding year in 2016. The decrease was primarily due to a decrease in general selling, marketing and advertising activities for expenses saving.

ADMINISTRATIVE EXPENSES

Our administrative expenses increased by 23.7% to approximately RMB354 million for the year ended 31 December 2017 from approximately RMB286 million for the corresponding year in 2016. The increase was mainly due to the increase in business activities of new projects that entered into trial or early stage of operations.

FINANCE COSTS

Our finance costs increased by 33.8% to approximately RMB814 million for the year ended 31 December 2017 from approximately RMB608 million for the corresponding year in 2016. The increase was primarily due to full year effect of corporate bonds issuance in second half 2016 and early 2017 in the PRC, which in turn increased the interest expenses.

INCOME TAX EXPENSES

Our income tax expenses decreased by 30.4% to approximately RMB296 million for the year ended 31 December 2017 from approximately RMB425 million for the corresponding year in 2016. The decrease was primarily due to the decrease in corporate income tax and land appreciation tax in the year of 2017.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group recorded a loss for the year attributable to owners of the Company of approximately RMB518 million as compared to a profit of approximately RMB101 million for the corresponding year in 2016, which represented a decrease of 615.5%. The decrease was mainly due to the combined effects of decreases in revenue which resulted in lower gross profit, profit margin, the increases in administrative expenses, finance costs and decreases in revaluation gain on the appreciation of our investment properties and income tax in the year of 2017.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2017, the Group's bank balances and cash (including restricted cash and pledged deposits) was approximately RMB1,838 million (2016: approximately RMB3,761 million), representing a decrease of 51.1% as compared to that as at 31 December 2016. A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits relate to. As at 31 December 2017, the Group's restricted cash was approximately RMB165 million (2016: approximately RMB92 million), representing an increase of 78.8% as compared to that as at 31 December 2016.

Current Ratio and Gearing Ratio

As at 31 December 2017, the Group has current ratio (being current assets over current liabilities) of approximately 0.84 compared to that of 1.04 as at 31 December 2016. The gearing ratio was 247.5% as at 31 December 2017 compared to that of 165.2% as at 31 December 2016. The gearing ratio was measured by net debt (aggregated interest-bearing bank and other borrowings, corporate bonds, senior and convertible notes net of cash and cash equivalents, pledged deposits and restricted cash) over the total equity of the Group. The total debt (being aggregated interest-bearing bank and other borrowings, corporate bonds, senior and convertible notes) over total assets ratio was 45.1% as at 31 December 2017 compared to that of 45.2% as at 31 December 2016.

Borrowings and Charges on the Group's Assets

As at 31 December 2017, the Group had an aggregate interest-bearing bank and other borrowings, senior and convertible notes and corporate bonds of approximately RMB5,600 million (2016: approximately RMB5,780 million) and approximately RMB5,607 million (2016: RMB4,835 million), respectively. Amongst the interest-bearing bank and other borrowings, approximately RMB3,240 million (2016: approximately RMB3,495 million) will be repayable within 1 year, approximately RMB2,046 million (2016: approximately RMB2,063 million) will be repayable between 2 to 5 years and approximately RMB314 million (2016: approximately RMB222 million) will be repayable after 5 years. The senior notes are repayable within 1 year and convertible notes are redeemable on or after 30 September 2017. Amongst the corporate bonds, approximately RMB1,906 million (2016: approximately RMB509 million) are repayable within 1 year and approximately RMB1,063 million (2016: approximately RMB1,515 million) are repayable between 2 to 5 years.

As at 31 December 2017, a substantial part of the interest-bearing bank and other borrowings were secured by land use rights and properties of the Group. The senior and convertible notes were jointly and severally guaranteed by certain subsidiaries of the Group and secured by pledge of their shares. The interest-bearing bank and other borrowings and corporate bonds were denominated in RMB while the senior and convertible notes were denominated in U.S. dollar.

Exchange Rate Risk

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings, senior and convertible notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. To mitigate foreign exchange exposure for the purpose of minimizing adverse effect on the operation of the Group, the Group continues to adopt a conservative approach and will closely monitor the foreign currency market and actively explore the domestic capital market for financing opportunities.

Commitments

As at 31 December 2017, the Group had committed payment for the acquisitions of land use rights amounting to approximately RMB130 million (2016: approximately RMB378 million) and the committed payment for properties under development amounting to approximately RMB2,027 million (2016: approximately RMB2,672 million).

Contingent Liabilities

As at 31 December 2017, the Group had (a) the share of a joint venture's contingent liabilities of approximately RMB23 million (2016: nil) arising from litigations, details of which are set out in Notes 20 and 42 to the consolidated financial statements; and (b) provided guarantees amounting to approximately RMB1,505 million (2016: approximately RMB1,235 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the year ended 31 December 2017 as the default risk is low.

Employees and Remuneration Policies

As at 31 December 2017, the Group had approximately 2,196 employees, of which 812 employees involved in the property development sector and 1,384 in the property operation services sector. Total staff costs (including Directors' emoluments) for the year ended 31 December 2017 amounted to approximately RMB217 million (2016: approximately RMB202 million). Remuneration is determined by reference to the performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme.

The Company adopted a share option scheme which became effective on 27 May 2013 (the "Scheme"). In September 2013, the Group granted share options to subscribe for 93,119,611 shares of the Company (the "Shares") in conformity with the Scheme to some of the Directors and employees of the Group, at an exercise price of HK$1.27 per Share.

For the year ended 31 December 2017, no share option has been granted and no shares has been exercised under the Scheme. All the share options granted under the Scheme were lapsed in September 2017.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. Shu Cecheng (舒策城), aged 49, is the Chairman of the Group. Mr. Shu was appointed as a Director on 22 June 2010 and was re-designated as an executive Director on 14 November 2012. He is the chairman of the nomination committee of the Company. He is the brother of Mr. Shu Cewan; an executive Director, and the brother of Mr. Shu Cezhang, the Group's head of operations. Mr. Shu Cecheng established the business of the Group in December 2004 and has been primarily responsible for the overall business, financial and strategic planning of the Group. Mr. Shu is also responsible for the overall development of the Group's strategic direction and corporate policies and plays an important role in the development, maintenance and strengthening of client relations. Mr. Shu Cecheng has over ten years of experience in the real estate development industry. He is a director of certain subsidiaries of the Group. Throughout the years, Mr. Shu has held various positions in many professional organizations. Mr. Shu was appointed as the chairman of the Council of China SCMALL Academy in October 2009. Mr. Shu has also been appointed as the committee member of the Wuxi Committee of the Chinese People's Political Consultative Conference since June 2012, and the executive director of the fourth Wuxi Charity Federation since May 2011. Mr. Shu is currently the chairman of the Seventh Council of Wuxi Market Association, a member of the Eleventh executive committee of Wuxi Association of Industry and Commerce, vice chairman of Wuxi Chamber of Commerce, vice chairman of the China Economic and Trade Promotion Association, vice chairman of the Federation of Private Enterprises of the Chinese Economy, executive vice chairman of Zhejiang Market Association, executive chairman of Hong Kong Wenzhou Entrepreneurs Association, chairman of Hong Kong Taishun Fraternity Association and vice chairman of Shanghai Jiangsu Chamber of Commerce.

Mr. Shu Cecheng has also received many awards acknowledging his contributions and accomplishments in the area of real estate development. Mr. Shu received the Personalities for the Year of PRC Branded Enterprises Award given by the Federation for the Development of Chinese Entrepreneurs in 2013, the Top Ten Personalities of the Year in the Chinese Market Award granted by the China Commercial Federation in 2015 and the Personalities for the Year in the Chinese Market Economy Award given by the Chinese Market Economy Academy in 2015. Mr. Shu also received the "EY Entrepreneur of The Year China" in 2015 by Ernst & Young, the Fifth Zhejiang Charity Award and the First Top Ten Overseas Wenzhou Benefactors Award in 2016, Outstanding Contribution Award in the Wenzhou Natives in the World in 2016, and was named an Pioneer of Businessmen Returning to Wenzhou in 2016 and Outstanding Personality in China's Trade Distribution in 2016.

Mr. Shu Cecheng obtained a master of business administration issued by the Victoria University Switzerland. He also obtained a master of business administration degree from the Shanghai University of Finance and Economics.

Mr. Shu Cewan (舒策丸), aged 47, is the Group's chief executive officer. Mr. Shu Cewan was appointed as an executive Director on 14 November 2012. He is a member of the remuneration committee of the Company. He is the brother of Mr. Shu Cecheng, the Group's Chairman and Mr. Shu Cezhang, the Group's head of operations. Mr. Shu Cewan is closely involved in the Group's operations and oversees all the key aspects of the Group's operations and business, including the planning and implementation of projects. Mr. Shu Cewan has over ten years of experience in the real estate development industry, and he has been with the Group since December 2004. Mr. Shu Cewan was the general manager and vice-president of certain subsidiaries of the Group. Since joining the Group, Mr. Shu Cewan has been responsible for the overall day-to-day management of these Group companies, particularly in the aspects of operation, administration, human resources management and finance.

Mr. Shu Cewan was named a driving force figure in China's commercial property sector in 2010 by the organizing committee of the Fifth Annual Conference of the Chinese Commercial and Office Property Sector in May 2010. In March 2011, he was named among the most respected private entrepreneurs in China by the Chinese Enterprise Evaluation Association and Association for the Promotion of International Cooperation and Development of Chinese Private Enterprises. In November 2011, he was named an Influential personality in the Chinese commercial property sector at the Chinese Commercial Property Business Conference. He was granted the title of Outstanding Private Entrepreneur of Jiangsu Province in October 2014, the Personality for the Year in the Chinese Market Economy Award in 2015 and the China Securities "Golden Bauhinia" Award: CEO of the Best Listed Company in 2016. Since 2011, Mr. Shu Cewan has been the vice president of Wuxi Wenzhou Chamber of Commerce. He is also the vice chairman of the Federation of Chinese Private Enterprises, a member of the Eighth Chong An District Committee (Wuxi) of the Chinese People's Political Consultative Conference, a deputy to the Fifteenth National People's Congress from Taishun County, Wenzhou City and a council member of the Chong An District Industrial and Commercial Federation in Wuxi.

Mr. Shu Cewan graduated from Jiangnan University with a diploma in business management in July 2011. He obtained a master of business administration issued by the Victoria University Switzerland.

NON-EXECUTIVE DIRECTOR

Mr. Wang Wei (王威), aged 49, was appointed as a non-executive Director on 26 September 2014. He has over 20 years of experience in international capital markets. Since early 2013, Mr. Wang has been the managing director of Ping An Real Estate Capital Ltd. (平安不動產資本有限公司) ("Ping An"). Prior to joining Ping An, Mr. Wang was a managing director with Forum Partners Investment Management, a U.S. real estate private equity fund, responsible for the firm's China business. Between 2008 and 2009, Mr. Wang was a vice president and the chief financial officer of Sunshine 100 China, a real estate developer focused on second and third tier Chinese cities. From 2005 to 2007, Mr. Wang had been the managing director, a member of the China Management Committee, and co-head of China Fixed Income at UBS Group. Between 1994 and 2005, Mr. Wang held various positions in fixed income and equity capital market divisions at J.P. Morgan in New York, Singapore and Hong Kong. Prior to that, from 1991 to 1994, Mr. Wang worked in the treasury department of Bank of China, Head Office, in Beijing, focused on international debt capital markets and financial derivatives.

Mr. Wang Wei obtained a master's degree in business administration (MBA) from Columbia Business School and a bachelor's degree in economics from Fudan University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Chen (周晨), aged 36, was appointed as an independent non-executive Director on 1 December 2017. He is the chairman of the audit committee and a member of the nomination committee of the Company. Mr. Zhou was appointed as an executive director and the company secretary of China Graphene Group Limited ("China Graphene"), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 February 2018 and 1 March 2018 respectively, Mr. Zhou has been the chief financial officer of Yamada Green Resources Limited (listed on the main board of Singapore Exchange Securities Trading Limited (the "SGX")) since January 2018. He was the chief treasury officer of China Graphene from June 2016 to January 2018 and was in charge of the group's accounting and corporate finance matters. Mr. Zhou was the chief financial officer of Asia Fashion Holdings Limited (listed on the main board of the SGX from October 2015 to June 2016. Prior to that, Mr. Zhou had been a general manager of investment and corporate finance of Bayon Airlines Holdings Limited, a business control and risk manager of Tee International Limited (listed on the SGX) and a finance manager of a Singapore private company where he was in charge of accounting and initial public offering process. Between 2008 and 2013, Mr. Zhou worked at Singapore local audit firms and was responsible for, inter alia, the audit of companies incorporated in China and listed on the SGX. Mr. Zhou is an affiliate of The Association of Chartered Certified Accountants (ACCA) and is a member of the Institute of Singapore Chartered Accountants. Mr. Zhou obtained an advance diploma in accountancy from Xiamen University in December 2016 and obtained a bachelor of science in applied accounting from Oxford Brookes University in July 2008.

Dr. Song Ming (宋敏), aged 56, was appointed as an independent non-executive Director on 18 May 2013. He is the chairman of the remuneration committee of the Company and a member of the audit committee and the nomination committee of the Company. Dr. Song has over 26 years of experience in the research of bank regulation and management, financial market, derivatives and macroeconomics. Dr. Song was employed by the school of economics and finance of the University of Hong Kong since 1997 and is currently a professor at the university. Dr. Song is the Dean of School of Economics and Management, Wuhan University since 2018. Between 1991 and 1997, Dr. Song was the associate professor and assistant professor at the department of economics, Cleveland State University. Dr. Song is currently the director of Centre for China Financial Research at the University of Hong Kong. Dr. Song has been heavily involved in various academic conferences, researches and consultation projects.

Dr. Song has been appointed as an independent non-executive director of the United Laboratories International Holdings Limited, Guotai Junan International Holdings Limited and Tande Co, Ltd. since 2007, 2010 and 2015 respectively, the former two are companies listed on the Stock Exchange and the latter is a company with its A Shares listed on the Shanghai Stock Exchange.

Dr. Song is currently the vice president of the Chinese Financial Association of Hong Kong. Dr. Song has also been involved in different advisory committees of the Hong Kong Government. Dr. Song is a member of the Advisory Committee on Human Resources Development in the Financial Services Sector in Hong Kong.

Dr. Song graduated from Zhejiang University in July 1982 with a bachelor degree in applied mathematics. Dr. Song obtained his master degree in applied mathematics from Huazhong University of Science and Technology (formerly known as Huazhong Institute of Technology). Dr. Song was awarded a doctorate degree by Ohio State University.

Prof. Shu Guoying (舒國瀅), aged 58, was appointed as an independent non-executive Director on 18 May 2013. He is a member of the audit committee and the remuneration committee of the Company. He has more than 30 years of experience in the PRC law, particularly in the teaching of jurisprudence and legal methodology.

Prof. Shu has held various teaching positions in the China University of Political Science and Law ("CUPL") since 1987, where he first started as a teaching assistant and was later promoted to lecturer, associate professor and professor in 1988, 1994 and 2001 respectively. Prof. Shu has also been a member of the Academic Committee of CUPL and a vice chairman of the Academic Degrees Committee of CUPL since 2001, and a chairman of the Professors Committee of Law Faculty at CUPL since 2015. In addition, from 2006 to 2008, Prof. Shu was a part-time professor of China Foreign Affairs University and has held positions in many professional organizations. Prof. Shu has been a member of the proposition committee of the Chinese National Judicial Examination between 2002 and 2005 and a member of the First Legislative and Legal Expert Committee of the Beijing People's Municipal Government between 2009 and 2014, and has been entitled to government special subsidy by the State Council since 2016. Throughout his professional career in the legal academia, Prof. Shu has published numerous books and journal articles in the PRC.

Prof. Shu graduated from CUPL with a bachelor degree in law, and later obtained a master degree in law.

SENIOR MANAGEMENT'S PROFILE

Mr. Zhu Aiming (朱愛明), aged 51, is the Group's head of development. Mr. Zhu joined the Group in 2007 as the deputy general manager, and worked as the general manager since 2010, of Wuxi Zhongnan Property Investment Co., Ltd and was responsible for the project management of Wuxi Wuzhou International Industrial Exhibition City, coordinating with external parties, obtaining governmental approvals, coordinating with government authorities and securing preferential policies. Prior to joining the Group, from 2005 to 2007, Mr. Zhu worked as the deputy general manager of Wuxishi Xiaoying Environmental Technology Co., Ltd., where he helped to establish the management system, facilitated and supervised work progress, and was in charge of business development and assessment plans. Prior to that, between 2004 and 2005, Mr. Zhu was the general manager of Wuxi Fengshuilong International Property Co., Ltd. where he was involved in the implementation of sales targets, supervision of project planning and operation management, and budgeting and coordination between internal and external working teams. Between 2003 and 2004, Mr. Zhu was the logistics manager of Shenzhen Oriental English College and was in charge of logistics management and public relations. From 1995 to 2002, Mr. Zhu worked at Qinghai Securities Co., Ltd. Shenzhen headquarters as the administrative officer, and was primarily responsible for supervising work process, implementing internal management plans and developing public relations. Mr. Zhu was the chief logistics officer of Tuboscope Far East Pte., Ltd. from 1992 to 1994 and was responsible for supervising the Company's daily logistics and its management system.

Mr. Zhu graduated from Yancheng Institute of Technology in June 1984 with a diploma in urban construction and management. In April 2010, Mr. Zhu was qualified as a senior strategist by National Talent Service Centre under the Ministry of Human Resources.

Mr. Shu Cezhang (舒策張), aged 41, is the Group's head of operations. Mr. Shu Cezhang joined the Group in 2005 and has held various positions including the deputy general manager of the Group's commercial operation center and the general manager of the Group's commercial management companies, where he has been primarily involved in the overall administration and operations. Mr. Shu Cezhang is the brother of Mr. Shu Cecheng, an executive Director and the chairman of the Group and Mr. Shu Cewan, an executive Director and the Group's chief executive officer.

Mr. Shu Cezhang is currently a director of certain of the Group's companies. He graduated from California American University in January 2013 with an external master degree in business administration. Mr. Shu was awarded the 2012 China Commercial Property New Talent Award by the organizing committee of the China Commercial Property Fair in October 2012.

COMPANY SECRETARY

Mr. Cheung Man Hoi (張文海), aged 47, was appointed as the company secretary of the Company in July 2014. Prior to joining the Group, Mr. Cheung had served duties as group financial controller, chief financial officer or executive director in various companies listed on the Main Board of The Stock Exchange, including Tianjin Development Holdings Limited (Stock Code: 882) from 2000 to 2003, Nine Dragons Paper (Holdings) Limited (Stock Code: 2689) from 2007 to 2008, and SPG Land (Holdings) Limited (Stock Code: 337) from 2009 to 2012. Mr.Cheung is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung graduated from the Hong Kong Polytechnic University with a Bachelor of Arts (Hons) in Accountancy and holds a master degree in business administration from the Chinese University of Hong Kong.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion and analysis of the Group's performance during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business can be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" of this annual report. These discussions form part of this Directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of comprehensive income on page 67.

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

FINANCIAL SUMMARY

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 34 to the consolidated financial statements.

Details of movements in the share options of the Company are set out in note 37 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company for the year ended 31 December 2017 are set out in the consolidated statement of changes in equity on page 71 and note 49 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company had no reserves available for distribution under the provisions of the Companies Law (as revised) of the Cayman islands (2016: approximately RMB35,945,000).

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2017 amounted to approximately RMB532,000 (2016: approximately RMB1,280,000).

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES

Particulars of the Company's principal subsidiaries, joint venture and associates are set out in notes 1, 20 and 21 to the consolidated financial statements respectively.

DIRECTORS

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

Executive directors:
Mr. Shu Cecheng (Chairman)
Mr. Shu Cewan (Chief Executive Officer)

Non-executive director:
Mr. Wang Wei

Independent non-executive directors:
Dr. Song Ming
Mr. Lo Kwong Shun Wilson (resigned on 4 September 2017)
Prof. Shu Guoying
Mr. Zhou Chen (appointed on 1 December 2017)

All Directors are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's articles of association (the "Articles of Association").

In accordance with Article 104(a) of the Company's Articles of Association, Mr. Wang Wei and Dr. Song Ming will retire by rotation at the forthcoming annual general meeting of the Company (the "Annual General Meeting ") and, being eligible, have offered themselves for re-election at the Annual General Meeting.

In accordance with Article 99(c) of the Articles of Association, any Director appointed by the Board after the annual general meeting of the Company held on 26 May 2017 will retire at the Annual General Meeting. Accordingly, Mr. Zhou Chen will retire from office and, being eligible, has offered himself for re-election at the Annual General Meeting.

A circular containing the explanatory statement on repurchase by the Company of its Shares, the biographical details of the Directors proposed to be re-elected at the Annual General Meeting and the notice of the Annual General Meeting will be sent to Shareholders of the Company.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all the independent non-executive Directors meet the guidelines set out in Rule 3.13 of the Listing Rules for assessing independence.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company for a specific term of three years commencing from 18 May 2016.

Each of Dr. Song Ming and Prof. Shu Guoying, an independent non-executive Directors, executed a letter of appointment with the Company for a specific term of three years commencing from 18 May 2016. Mr. Zhou Chen, an independent non-executive Director, entered into a service contract with the Company for a specific term of three years commencing from 1 December 2017.

The Company entered into a letter of appointment with its non-executive Director, Mr. Wang Wei. Mr. Wang was appointed for a term commencing from 26 September 2014 and was re-elected at the annual general meeting of the Company held on 29 May 2015. Thereafter, he will be subject to retirement by rotation and re-election at least once every three years at annual general meetings in accordance with the Company's Articles of Association. Mr. Wang will not receive any Director's fee as a non-executive Director.

All Directors are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Articles of Association.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2017, the interests and short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), 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 and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Long positions in the Shares and underlying Shares

Name of Director/ Chief Executive	Long/Short position	Nature of interest	Number of issued Shares held	Interest in underlying Shares	Approximate percentage to the issued Shares as at 31 December 2017
Mr. Shu Cecheng	Long position	Interest of controlled corporation[(1)]	2,539,911,038	–	50.90%
Mr. Shu Cewan	Long position	Interest of controlled corporation[(1)]	2,539,911,038	–	50.90%

Notes:

(1) Boom Win Holdings Limited ("Boom Win") is owned as to 60% by Mr. Shu Cecheng and as to 40% by Mr. Shu Cewan. Both Mr. Shu Cecheng and Mr. Shu Cewan are directors of Boom Win. Mr. Shu Cecheng and Mr. Shu Cewan are deemed to be interested in the Shares held by Boom Win for the purpose of Part XV of the SFO.

(ii) Long positions in Associated Corporation

Name of Director	Nature of interest	Name of associated corporation	Number of shares held	Description of shares	Percentage to that associated corporation's issued share capital as at 31 December 2017
Mr. Shu Cecheng	Corporate interest	Boom Win	30,000 shares	Par value of US$1.00	60%
Mr. Shu Cewan	Corporate interest	Boom Win	20,000 shares	Par value of US$1.00	40%

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

SHARE OPTION SCHEME

The Company adopted the Scheme which became effective on 27 May 2013 for the purpose of rewarding eligible participants who have contributed to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants of the Scheme include (i) any employee (whether full time or part time) of the Company, its subsidiaries or any entity in which the Group holds any equity interest (the "Invested Entity"), including any executive Director, directors of its subsidiaries or Invested Entity; (ii) any non-executive Director (including independent non-executive Director), non-executive directors (including independent non-executive) of its subsidiaries or any Invested Entity; or (iii) any senior management of the Company, its subsidiaries or Invested Entity that the Board considers, in its sole discretion, have contributed or will contribute to the Group. Subject to earlier termination of the Scheme by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 6 years from the date of its adoption.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue when the Scheme was adopted, unless with the prior approval from the Company's Shareholders. The Company had 449,472,191 Shares available for issue under the Scheme, which represented 9.0% of the Company's Shares in issue as at the date of this report. The maximum number of Shares in respect of which options may be granted under the Scheme to each eligible participant in any 12-month period is not permitted to exceed 1% of Shares in issue, unless with the prior approval from the Company's Shareholders and with such participants and his close associates abstaining from voting. Options granted to a connected person of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the Shareholders (voting by way of poll).

An offer of the grant of an option under the Scheme shall remain open for acceptance for 15 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK$1 to the Company as consideration. Options may be exercised in accordance with the terms of the Scheme at any time from the date of grant until the expiry of 6 years from such date. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the date of grant of that option, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant of that option; and (iii) the nominal value of the Shares.

In September 2013, the Group granted share options to subscribe for 93,119,611 Shares in conformity with the Scheme to some of the Directors and employees of the Group, at an exercise price of HK$ I.27 per Share.

For the year ended 31 December 2017, no share option has been granted and no option has been exercised under the Scheme. All the outstanding share options granted under the Scheme were lapsed/cancelled in September 2017.

The summary below set out the movements of options granted as at 31 December 2017 pursuant to the Scheme.

Name	Date of grant	Exercise price HK$	Closing price of the Shares on the date of grant HK$	Number of share option					
				Balance as at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31 December 2017
Directors									
Mr. Shu Cewan	24 September 2013	1.270	1.270	3,000,000 Note	–	–	3,000,000	–	–
Dr. Song Ming	24 September 2013	1.270	1.270	500,000 Note	–	–	500,000	–	–
Mr. Lo Kwong Shun Wilson	24 September 2013	1.270	1.270	500,000 Note	–	–	500,000	–	–
Prof. Shu Guoying	24 September 2013	1.270	1.270	500,000 Note	–	–	500,000	–	–
Other employees of the Group	24 September 2013	1.270	1.270	27,084,578 Note	–	–	24,171,147	2,913,431	–
Total				31,584,578	–	–	28,671,147	2,913,431	–

Note:

The share options are exercisable during the following periods:

(a) up to 30% of the share options granted to each grantee at any time after the expiration of 12 months from the date of grant and ending on the expiry date of the option period and after the grantee has satisfied the vesting conditions specified by the Board; and

(b) up to 30% of the share options granted to each grantee at any time after the expiration of 24 months from the date of grant and ending on the expiry date of the option period and after the grantee has satisfied the vesting conditions specified by the Board; and

(c) up to 40% of the share options granted to each grantee at any time after the expiration of 36 months from the date of grant and ending on the expiry date of the option period and after the grantee has satisfied the vesting conditions specified by the Board.

NON-PUBLIC ISSUE OF ON-SHORE CORPORATE BONDS IN THE PRC

During the year ended 31 December 2016, Wuxi Wuzhou, a limited liability company established in the PRC and a wholly-owned subsidiary of the Company, had, based on the result of book-building process, issued two tranches of Corporate Bonds in the PRC.

On 11 January 2017, Wuxi Wuzhou issued the third tranche of the Corporate Bonds in the amount of RMB1 billion for a term of three years, with an annual coupon rate of 7.30%.

Wuxi Wuzhou issued the Corporate Bonds in order to provide additional source of funding. Wuxi Wuzhou planned to use the net proceeds from the Corporate Bonds for refinancing and as general working capital of Wuxi Wuzhou and its subsidiaries. As of 31 December 2017, the net proceeds from the issue of this third tranche of the Corporate Bonds amounted to approximately RMB989 million. As at the date of this report, the net proceeds have been fully utilised in compliance with the intended use of the proceeds.

For more details, please refer to the announcements of the Company dated 13 January 2017.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year ended 31 December 2017.

DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR SIGNIFICANT CONTRACTS

No transaction, arrangement or significant contract, to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY

The Company's Articles of Association provide that the Company shall indemnify and hold harmless out of the assets of the Company any Director who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative in which judgment is given in his favour, or in which he is acquitted, by reason of the fact that he is or was a Director or, while a Director, is or was serving at the request of the Company as a director, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by the Director.

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

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group subsisted at the end of the year or at any time during the year ended 31 December 2017.

SUBSTANTIAL SHAREHOLDERS

As of 31 December 2017, so far as the Directors or chief executive of the Company were aware, the person(s) (other than a Director or chief executive of the Company) who had interests or short positions in any Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of interest in the Company as at 31 December 2017
Boom Win	Beneficial interest[1]	2,539,911,038	50.90%
Mr. Sun Hongbing	Beneficial interest	906,766,907	18.17%
Ping An Insurance (Group) Company of China, Ltd.	Interest of controlled corporation[3]	269,224,490[2]	5.39%
Ping An Property & Casualty Insurance Company of China, Ltd.	Interest of controlled corporation[4]	269,224,490[2]	5.39%
Ping An Life Insurance Company of China, Ltd.	Interest of controlled corporation[5]	269,224,490[2]	5.39%
Ping An Real Estate Company Limited	Interest of controlled corporation[6]	269,224,490[2]	5.39%
Pingan Real Estate Capital Limited	Beneficial interest	269,224,490[2]	5.39%

Notes:

(1) Boom Win is owned as to 60% by Mr. Shu Cecheng and as to 40% by Mr. Shu Cewan. Each of Mr. Shu Cecheng and Mr. Shu Cewan is deemed to be interested in the Shares held by Boom Win for the purpose of Part XV of the SFO.

(2) Interests in the 7.00% convertible notes due 2019 (the "Convertible Notes").

(3) This represents derivative interests in the underlying Shares. Pingan Real Estate Capital Limited holds a direct interest in the Convertible Notes which will be convertible into 269,224,490 Shares and is owned as to 100% by Ping An Real Estate Company Limited. Ping An Real Estate Company Limited is owned as to 49.50% by Ping An Life Insurance Company of China Ltd. and as to 35% by Ping An Property & Casualty Insurance Company of China, Ltd., both are owned as to 99.51% by Ping An Insurance (Group) Company of China, Ltd.. Therefore, Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in 269,224,490 underlying Shares represented by the Convertible Notes directly held by Pingan Real Estate Capital Limited.

(4) This represents derivative interests in the underlying Shares. Pingan Real Estate Capital Limited holds a direct interest in the Convertible Notes which will be convertible into 269,224,490 Shares and is owned as to 100% by Ping An Real Estate Company Limited. Ping An Real Estate Company Limited is owned as to 35% by Ping An Property & Casualty Insurance Company of China, Ltd.. Therefore, Ping An Property & Casualty Insurance Company of China, Ltd. is deemed to be interested in 269,224,490 underlying Shares represented by the Convertible Notes directly held by Pingan Real Estate Capital Limited.

(5) This represents derivative interests in the underlying Shares. Pingan Real Estate Capital Limited holds a direct interest in the Convertible Notes which will be convertible into 269,224,490 Shares and is owned as to 100% by Ping An Real Estate Company Limited. Ping An Real Estate Company Limited is owned as to 49.50% by Ping An Life Insurance Company of China Ltd.. Therefore, Ping An Life Insurance Company of China Ltd. is deemed to be interested in 269,224,490 underlying Shares represented by the Convertible Notes directly held by Pingan Real Estate Capital Limited.

(6) This represents derivative interests in the underlying Shares. Pingan Real Estate Capital Limited holds a direct interest in the Convertible Notes which will be convertible into 269,224,490 Shares and is owned as to 100% by Ping An Real Estate Company Limited. Therefore, Ping An Real Estate Company Limited is deemed to be interested in 269,224,490 underlying Shares represented by the Convertible Notes directly held by Pingan Real Estate Capital Limited.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the year ended 31 December 2017, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases in the year.

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers or suppliers.

CONNECTED TRANSACTIONS

During the year ended 31 December 2017, there was no connected transaction of the Group that need to be disclosed pursuant to Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 December 2017 are set out in note 45 to the financial statements. These related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent Shareholders' approval requirements under the Listing Rules.

INTERESTS IN COMPETING BUSINESS

Save as disclosed, none of the Directors or any of their respective associates have engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or have any other conflict of interests with the Group.

EMOLUMENT POLICY

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

The emoluments of the Directors are determined by the remuneration committee, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a mandatory provident fund scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the Company's mandatory provident fund scheme. Contributions are made based on a percentage of the employees' salaries. The assets of the Company's mandatory provident fund scheme are held separately from those of the Group by an independently administered fund. Contributions of the employer vest fully with the employees when contribution was made by the Company into the mandatory provident scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2017.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the year ended 31 December 2017, the total amounts contributed by the Group to the schemes and amount charged to the consolidated income statement represented contribution payable to the scheme by the Group at rates specified in the rules of the schemes.

DEED OF NON-COMPETITION

Each of Mr. Shu Cecheng and Mr. Shu Cewan, the executive Directors, and Boom Win (the "Controlling Shareholders"), entered into a deed of non-competition dated 18 May 2013 (the "Deed of Non-competition") in favour of the Company (for itself and on behalf of all members of the Group), pursuant to which each of the Controlling Shareholders would not, and would procure that none of his/its associates (other than any member of the Group) will directly or indirectly, engage in any business which competes or is likely to compete directly or indirectly with the Group's business in the PRC or other places in which the Group carries on business.

In this regard, each of the Controlling Shareholders had provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-competition for the year ended 31 December 2017 and no personal interests were ever declared by any Controlling Shareholders who are also Directors at the Directors' meetings. The independent non-executive Directors had also reviewed the compliance by each of the Controlling Shareholders with the undertakings in the Deed of Non-competition during the year ended 31 December 2017. The independent non-executive Directors had confirmed that, as far as they can ascertain, there is no breach by any of the Controlling Shareholders of the undertakings in the Deed of Non-competition given by them.

As of the date of this annual report, the Company is not aware of any other matters regarding the compliance of the undertaking and there has not been any change in the terms of the Deed of Non-competition since the Company's listing on the Stock Exchange.

ESG DISCUSSION

The Group has been transforming itself into an operator of modern mega-sized trade logistics parks. By gradually embedding environmental, social and governance ("ESG") factors into our daily operations, we have been striking a balance between business development and mitigation of environmental and social impact we created. In the regard, the Group aims to deepen its dialogues with its key stakeholder groups through platforms such as interactive activities, meetings and publications. Our key stakeholder groups include tenants, customers, employees, suppliers, trade associations, local communities, etc. We strive to maintain close relationship with our stakeholders and respond to their key concerns through reporting our ESG performance. The Group's ESG Report will be published in July 2018 and can be found on both the Company's and the Stock Exchange's websites.

Environment

The Group is dedicated to implementing its environmental protection philosophy. Embracing the increasingly stringent national environmental laws in China, we continue to keep abreast of the latest regulatory developments, ensuring the Group is able to fully grasp such implications. The failure to be responsive to changes to such regulations may adversely affect the Group's reputation, operations and financial performance. While these measures require considerable internal resources and result in additional operational cost, the Group highly values the importance of ensuring compliance with applicable legal and regulatory requirements. In 2017, the Group has strictly abided by the applicable environmental laws and regulations and received no major fines for environmental violations in 2017.

For our property management business, it is primarily an office-based operation. Our environmental initiative is to focus on energy saving and waste reduction, such as the promotion of paperless office, installation of office automation systems, use of video conferencing to replace business travel, etc.

For our project development business, all new projects are required to submit environmental impact assessment report, and construction begins only after obtaining permission from the environmental protection agency. We have also prepared the "Engineering Environmental Protection Management Guidance Manual", detailing the requirements of environmental protection and energy conservation measures.

We will continue to improve, identify, assess and control the potential risk of wastewater and waste disposal, and monitor the performance indicators related to the environment of the construction site.

For further information about the Company's environmental performance during the year, please refer to the separate ESG Report to be issued by the Company.

Employee

With the Group's comprehensive and transparent recruitment and promotion mechanism, we can effectively attract and retain talent. In 2017, we have strictly complied with the "Labour Law of the People's Republic of China" and "Labour Contract Law of the People's Republic of China" in Mainland China. All new employees must produce originals and copies of original qualification documents necessary for the onboarding process and recruitment procedures according to requirements. Furthermore, they are required to fill out the "staff information form". Through strictly verifying new employee's identification, potential incidents on hiring child labour could be eliminated.

Over the years, the Group has been recruiting talents from both university campuses and the society to increase the Company's talent reserve. We have been continuously promoting the "high-flying" project targeting to university students, aiming to enrich the Group's talent pool.

Customers

The Group has been striving to attain higher customer satisfaction levels by providing better quality services to its customers. Detailed requirements regarding customer service are listed in our staff handbook. Calls received from customers and customer satisfaction measurements are handled according to regulations, and employees are strictly prohibited from intercepting needs and concerns expressed by customers. We have also developed a series of customer service management methods, including "retail customer service management approach", "complaints management approach", carrying out in-depth market management work and standardization of the market in order to avoid competition between tenants.

Suppliers

On engaging with our suppliers, in addition to ensure their business principles, conduct, and standards are aligned with our own, we regularly monitor whether their performance has satisfied the Group's requirements regarding environmental and social aspects. In 2017, a supplier database has also been established to improve procurement efficiency.

Community

The Group bears its share of corporate social responsibility, understanding that it requires long-term efforts and does not imply participating charitable activities on a one-time basis. During the year, the Group held a number of community activities throughout Mainland China. By donating funds, materials and organizing public welfare activities, we actively connect with the communities by offering assistance in the areas of poverty alleviation, education, etc. In 2017, the Group had donated a total of approximately RMB532,000.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group and its activities are subject to requirements under various laws. These include, among others, Labour Law of the PRC* ("中華人民共和國勞動法"), Labour Contract Law of the PRC ("中華人民共和國勞動合同法") Environmental Protection Law of the PRC* ("中華人民共和國環境保護法"), Law of the PRC on Wholly Foreign-Owned Enterprises* ("中華人民共和國外資企業法") and Law of the PRC on Enterprise Income Tax* ("中華人民共和國企業所得稅法") and the applicable regulations, guidelines and policies issued or promulgated under or in connection with these statutes. On the listed company level, the Group is also subject to the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and/or the laws, rules and regulations of the jurisdictions where the Group companies are incorporated. The Company seeks to ensure compliance with these requirements through various measures such as internal controls, trainings and oversight of various business units at different levels of the Group. The Group highly values the importance of ensuring compliance with applicable legal and regulatory requirements.

During the year ended 31 December 2017, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

* For identification purpose only

SUFFICIENCY OF PUBLIC FLOAT

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

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of Directors/chief executives subsequent to the publication of the interim report of the Company for the six months ended 30th June 2017 are set out below:

Name of Director	Details of Changes
Mr. Zhou Chen	was appointed as an executive director and the company secretary of China Graphene, a company listed on the main board of the Stock Exchange, on 1 February 2018 and 1 March 2018 respectively. Mr. Zhou was appointed as the chief financial officer of Yamada Green Resources Limited (listed on the main board of the SGX) since January 2018. He ceased to act as the chief treasury officer of China Graphene in January 2018.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no significant events occurring after the end of the year ended 31 December 2017.

AUDITOR

On 6 February 2018, the Board announced that the Company and Ernst & Young ("EY") had mutually agreed not to renew EY's appointment as auditor of the Company subsequent to the expiry of EY's appointment to carry out audit work and issue of the audited consolidated financial statements of the Group for the year ended 31 December 2016. The Board had resolved to appoint BDO Limited as new auditor of the Company to fill the casual vacancy following the non-renewal of EY's appointment and to hold office until the conclusion of the Annual General Meeting of the Company. A resolution will be submitted to the Annual General Meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board
Shu Cecheng
Chairman

Hong Kong, 29 March 2018

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules. The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the code provisions contained in the CG Code throughout the year ended 31 December 2017 except for code provisions A.2.7, A.4.1, A.5.1, A.6.7 and E.1.2.

Code provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive Directors) without the executive directors present. Mr. Shu Cecheng, the chairman of the Company did not hold any meeting with the non-executive Directors of the Company without the executive Directors present. However, Mr. Shu Cecheng has effective communication with the non-executive Directors from time to time.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Wang Wei, the non-executive Director of the Company was not appointed for a specific term. The articles of association of the Company stipulates that every director shall be subject to retirement by rotation and re-election at least once every three years. Therefore, in the opinion of the Board, this meets the objective of the CG Code.

Code provision A.5.1 of the CG Code stipulates that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Following the resignation of Mr. Lo Kwong Shun Wilson as an independent non-executive Director with effect from 4 September 2017, the Company failed to meet the composition requirement of the nomination committee under code provision A.5.1 of the CG Code. However, following the appointment of Mr. Zhou Chen as, amongst other roles, an independent non-executive Director and a member of the nomination committee of the Company effective on 1 December 2017, the Company has fully complied with the requirements under code provision A.5.1 of the CG Code.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. All independent non-executive Directors and the non-executive Director did not attend the annual general meeting of the Company held on 26 May 2017 since they had other business commitments that required their attendance.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting and should invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. Mr. Shu Cecheng (the chairman of the Company and nomination committee of the Company), Dr. Song Ming (the chairman of the remuneration committee of the Company) and Mr. Lo Kwong Shun Wilson (the then chairman of the audit committee of the Company) did not attend the annual general meeting held on 26 May 2017 since they had other business commitments that required their attendance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard set out in the Model Code regarding Directors' securities transactions during the year ended 31 December 2017 and all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2017 and up to the date of this annual report.

THE BOARD

Responsibilities

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

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

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

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

The Board recognizes that corporate governance should be the collective responsibility of Directors and is responsible for performing the corporate governance duties as required under code provision D.3.1 of the CG Code. For the year ended 31 December 2017, the Company has, among others, reviewed and updated the compliance manuals on notifiable transactions and price sensitive information (inside information) in accordance with the Listing Rules as guidelines for its employees.

Composition and Qualifications

The Board currently comprises two executive Directors, being Mr. Shu Cecheng (Chairman) and Mr. Shu Cewan (Chief Executive Officer), one non-executive Director, being Mr. Wang Wei and three independent non-executive Directors, being Dr. Song Ming, Prof. Shu Guoying and Mr. Zhou Chen. Biographical details of each Director are set out on pages 34 to 36.

The relationships among the members of the Board are disclosed under "Directors' Profile" on pages 34 to 35. Save as disclosed under "Directors' Profile", the Board members have no financial, business, family or other material/relevant relationships with each other. The formation of the Board has met Rule 3.10A of the Listing Rules for the Board to have at least one-third in number of its members comprising independent non-executive Directors.

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

During the year ended 31 December 2017, the Company was once unable to meet Rule 3.10 of the Listing Rules due to the resignation of Mr. Lo Kwong Shun Wilson as an independent non-executive Director on 4 September 2017. Rule 3.10 of the Listing Rules prescribes that the board of directors of a listed issuer must include at least three independent non-executive directors; and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The Company had subsequently fully complied with the aforesaid Listing Rule requirements upon its appointment of Mr. Zhou Chen as an independent non-executive Director on 1 December 2017.

Appointment and Re-Election of Directors

Each of the executive Directors has entered into a service contract with the Company for a specific term of three years while each of the independent non-executive Directors has entered into a letter of appointment with the Company for a specific term of three years.

Mr. Wang Wei, the non-executive Director of the Company was not appointed for a specific term. This constitutes a deviation from provision A.4.1 of the CG Code. The Articles of Association of the Company stipulates that every Director shall be subject to retirement by rotation and re-election at least once every three years. Therefore, in the opinion of the Board, this meets the objective of the CG Code.

Directors' Training and Professional Development Programme

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

During the year ended 31 December 2017, all Directors were provided with monthly newsletters on the Group's business, operations and financial matters as well as updates, if any, on applicable legal and regulatory and market changes to facilitate the discharge of their responsibilities. The Company had also organized a seminar on the "Continuing Obligations of Directors of Companies listed in Hong Kong" for the Directors. The seminar was facilitated by Company's legal advisors with presentation and relevant materials. Continuing briefings and professional development for Directors will be arranged whenever necessary.

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

The individual training record of each Director during the year ended 31 December 2017 is set out below:

Directors	Types of continuous professional development programmes (Note)
Executive Directors	
Mr. Shu Cecheng	(A) and (B)
Mr. Shu Cewan	(A) and (B)
Non-executive Director	
Mr. Wang Wei	(A) and (B)
Independent Non-executive Directors	
Dr. Song Ming	(A) and (B)
Mr. Lo Kwong Shun Wilson (resigned on 4 September 2017)	(A) and (B)
Prof. Shu Guoying	(A) and (B)
Mr. Zhou Chen (appointed on 1 December 2017)	(A) and (B)

Note:

(A): attending briefing sessions and/or seminars

(B): reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

Indemnification of Directors and Officers

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

BOARD MEETINGS

During the year ended 31 December 2017, six meetings were held by the Board. The individual attendance record is as follows:

Directors	No. of meetings attended/No. of meetings held
Executive Directors:	
Mr. Shu Cecheng	5/6
Mr. Shu Cewan	6/6
Non-executive Director:	
Mr. Wang Wei	5/6
Independent non-executive Directors:	
Dr. Song Ming	4/6
Mr. Lo Kwong Shun Wilson (resigned on 4 September 2017)	2/4
Prof. Shu Guoying	3/6
Mr. Zhou Chen (appointed on 1 December 2017)	0/0

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

Minutes of Board meetings and meetings of other committees are kept by the company secretary of the Company and are open for inspection by Directors.

During the year ended 31 December 2017, the Company held one general meeting. The attendance by the Directors at the general meeting were as follows:

Directors	No. of meetings attended/No. of meetings held
Executive Directors:	
Mr. Shu Cecheng	0/1
Mr. Shu Cewan	1/1
Non-executive Director:	
Mr. Wang Wei	0/1
Independent non-executive Directors:	
Dr. Song Ming	0/1
Mr. Lo Kwong Shun Wilson (resigned on 4 September 2017)	0/1
Prof. Shu Guoying	0/1
Mr. Zhou Chen (appointed on 1 December 2017)	0/0

AUDIT COMMITTEE

The Company has established an audit committee for purpose of reviewing and monitoring the financial reporting process, risk management and internal control systems of the Company. The audit committee of the Company currently comprises three independent non-executive Directors, including Mr. Zhou Chen, Dr. Song Ming and Prof. Shu Guoying, while Mr. Zhou Chen is the chairman of the audit committee.

During the year, following the resignation of Mr. Lo Kwong Shun Wilson as an independent non-executive Director with effect from 4 September 2017, the Company failed to meet the composition requirement of the audit committee under Rule 3.21 of the Listing Rules. However, following the appointment of Mr. Zhou Chen as, amongst other roles, an independent non-executive Director and a member and the chairman of the audit committee of the Company effective on 1 December 2017, the Company has fully complied with the requirement under Rule 3.21 of the Listing Rules.

During the year ended 31 December 2017, the audit committee held two meetings. The individual attendance records is as follows:

Directors	No. of meetings attended/No. of meetings held
Mr. Lo Kwong Shun Wilson (resigned on 4 September 2017)	2/2
Dr. Song Ming	2/2
Prof. Shu Guoying	2/2
Mr. Zhou Chen (appointed on 1 December 2017)	0/0

The audit committee is mainly responsible for reviewing important accounting policies, overseeing the Company's financial reporting process, monitoring the performance of the external auditors and the internal audit department, reviewing and evaluating the effectiveness of the Company's financial reporting procedures, risk management and internal control procedures and ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

During the year ended 31 December 2017, the audit committee reviewed and discussed with external auditors of the Company the Group's financial statements and the audit committee also reviewed the effectiveness of the Company's internal audit function. The audit committee together with the management of the Company also reviewed the accounting policies and practices adopted by the Group and discussed, among other things, risk management and internal control systems and financial reporting matters.

REMUNERATION COMMITTEE

The Company has established a remuneration committee. The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Company's Directors and senior management, as well as reviewing and determining the remuneration of all executive Directors and senior management with reference to the Company's objectives from time to time. The remuneration committee currently comprises an executive Director, Mr. Shu Cewan, and two independent non-executive Directors, Dr. Song Ming and Prof. Shu Guoying, while Dr. Song Ming is the chairman of the committee.

During the year ended 31 December 2017, the remuneration committee held three meetings. The individual attendance records is as follows:

Directors	No. of meetings attended/No. of meetings held
Dr. Song Ming	3/3
Mr. Shu Cewan	3/3
Prof. Shu Guoying	2/3

During the year ended 31 December 2017, the remuneration committee has discussed and reviewed the remuneration packages of the Directors and has made recommendations to the Board on the remuneration packages of executive Directors, non-executive Directors and senior management.

Details of the remuneration by band of the four members of the senior management of the Company (including executive Directors), whose biographies are set out on pages 34 to 37 of this annual report, for the year ended 31 December 2017 are set out below:

Remuneration band	Number of individuals
Nil to RMB1,000,000	4

NOMINATION COMMITTEE

The Company has established a nomination committee. The nomination committee is primarily responsible for selection and assessment of suitable candidates for appointment of Directors. The nomination committee currently comprises an executive Director, Mr. Shu Cecheng and two independent non-executive Directors, Dr. Song Ming and Mr. Zhou Chen, Wilson, while Mr. Shu Cecheng is the chairman of the committee.

In considering the suitability of a candidate for directorship, the nomination committee will take into account the qualification, experience, expertise and knowledge of the candidates as well as the requirements under the Listing Rules.

The Company adopted a policy concerning the diversity of Board members with measurable objectives. The nomination committee evaluates the balance and blend of skills, experience and diversity of perspectives of the Board. Selection of candidates is based on a range of diversity perspectives, including but not limited to age, cultural and educational background, professional and industry experience, skills, knowledge, ethnicity and other qualities essential to the Company's business, and merit and contribution that the selected candidates will bring to the Board. The Board will review such measurable objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

During the year ended 31 December 2017, the nomination committee held one meeting. The individual attendance records is as follows:

Directors	No. of meetings attended/No. of meetings held
Mr. Shu Cecheng	1/1
Dr. Song Ming	1/1
Mr. Lo Kwong Shun Wilson (resigned on 4 September 2017)	1/1
Mr. Zhou Chen (appointed on 1 December 2017)	0/0

During the year ended 31 December 2017, the nomination committee had reviewed the composition and diversity of the Board. Since the Board is composed of members coming from diverse backgrounds, the nomination committee considered the Board to possess a diversity of perspectives which is up to the standard of the CG Code and is appropriate to the Group's requirements which is determined by the Directors' skills and experience appropriate to the Company's business. Besides, the nomination committee had also evaluated the performance of the retiring Directors during the year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. The Chairman of the Board is Mr. Shu Cecheng and the chief executive officer is Mr. Shu Cewan. Mr. Shu Cecheng and Mr. Shu Cewan are brothers. However, there is a clear distinction between the Chairman's responsibility for overall strategic planning and the chief executive officer's responsibility for the management of day-to-day operation of the Group's business.

AUDITOR'S REMUNERATION

During the year ended 31 December 2017, the total remuneration for statutory audit services provided by the Company's external auditors, BDO Limited ("BDO"), Messrs Ernst & Young ("E&Y"), and PRC local auditors amounted to approximately RMB5,000,000, RMB600,000 and RMB847,000 respectively.

During the year ended 31 December 2017, the total remuneration for permissible non-audit services provided by the external auditors (including any entity under common control, ownership or management with the external auditors) amounted to RMB600,000. Total remuneration in respect of services provided by the external auditors is set out below:

	RMB'000
Paid to BDO for statutory audit services	5,000
Paid to E&Y for non-assurance services	600
Paid to PRC auditors for statutory audit services	847
Total	6,447

RISK MANAGEMENT AND INTERNAL CONTROL

During the year ended 31 December 2017, the Company has complied with Principle C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- *Evaluation:* Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor of the residual risks.

Based on the risk assessments conducted in the year ended 31 December 2017, no significant risk was identified.

Internal Control System

The Company has in place an internal control system. The internal control framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in the year ended 31 December 2017, no significant control deficiency was identified.

Internal Auditors

The Group has established its internal audit department, which consists of professional staff with relevant expertise. The internal audit department is independent of the Group's daily operation and is responsible for financial and operational audit of the Company and its subsidiaries on a regular basis, as well as formulating risk management and internal control system for pinpointing, identifying and controlling financial and operational risks, ensuring compliance with all applicable laws and regulations and protection of the Group's assets.

The internal audit team principally supervises and reviews internal control and compliance matters of the Group, and internal audit covers investments, marketing activities, operation, procurement and tenders as well as information security.

According to the Company's internal audit plan, review of the risk management and internal control systems is conducted semi-annually respectively, and the results are reported to the Board via the audit committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is overall responsible for the risk management and internal control systems of the Group including financial, operational and compliance controls, and review and assessment of the effectiveness of these systems has been conducted semi-annually in order to safeguard the Group's assets and Shareholders' interests. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its reviews and the reviews made by the internal audit department and the audit committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, 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. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards, which give a true and fair view of the state of affairs of the Group and of the results of its operations and cash flows for that period. The Directors also acknowledged their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The Group had incurred a loss attributable to the owners of the Company of approximately RMB518 million for the year ended 31 December 2017 and recorded a net current liabilities of approximately RMB2,627 million as at 31 December 2017. In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented or is in the process of implementing the following measures, namely: (i) obtaining confirmations of banking facilities from various financial institutions and banks in the PRC; (ii) entering into loan renewal discussions with the banks in due course; and (iii) taking measures to tighten cost controls over various costs and expenses and to seek business opportunities with the aim to attain profitable and positive cash flow operations. After taking into account the above measures, the Directors consider that the Group will be able to realise its assets and discharge its liabilities and commitments in the normal course of business. Therefore, the consolidated financial statements of the Group have been prepared on a going concern basis.

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

The reporting responsibilities of the Company's external auditor on the financial statements of the Group are set out in the "Independent Auditor's Report" on pages 61 to 65 of this annual report.

SHAREHOLDERS' RIGHTS

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

Pursuant to article 58 of the Articles of Association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

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

Constitutional Documents

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

INVESTOR RELATIONS

Effective Communication with Shareholders and Investors

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

The Board also considers that general meetings of the Company provide a useful forum for Shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the audit committee, remuneration committee and nomination committee of the Company have been invited to attend the annual general meetings and other Shareholders' meetings of the Company to reply questions raised.

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

COMPANY SECRETARY

The company secretary of the Company is Mr. Cheung Man Hoi. The Board had reviewed the training and continuous professional development of the company secretary during the year ended 31 December 2017 and considered that the requirements under Rule 3.29 of the Listing Rules in respect of the professional training of the company secretary were complied with.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF WUZHOU INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wuzhou International Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 66 to 163, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the consolidated financial statements, which indicates that the Group incurred a loss attributable to owners of the Company of approximately RMB518 million for the year ended 31 December 2017 and recorded net current liabilities of approximately RMB2,627 million as at 31 December 2017. As stated in Note 2.1, these conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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, we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Investment properties

Refer to Notes 2.4, 3, 13 to the consolidated financial statements.

The Group's investment properties were carried at fair value of RMB8,970 million as at 31 December 2017 with reference to valuations performed by the independent firms of professionally qualified valuers.

Investment properties were significant to the consolidated financial statements of the Group. The valuation of investment properties requires significant judgement and estimation in determining the appropriate valuation methodology to be used and in estimating the underlying assumptions to be applied. There is a risk that the carrying amount of investment properties may be significantly changed if the valuation methodology adopted and the key assumptions applied by the valuers are varied.

Our response:

Our audit procedures included, amongst others, the following:

(i) Evaluating the competence, capabilities and objectivity of the external valuers;

(ii) Considering the appropriateness of the methodology and assumptions adopted in the valuation with the assistance of our own valuation specialist;

(iii) Checking, on a sample basis, the accuracy and relevance of the input data used; and

(iv) Assessing the adequacy of the disclosures made in the consolidated financial statements in respect of the valuation of investment properties including the relationship between the key unobservable input and fair value.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors 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 also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate Number: P05308

Hong Kong, 29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	5	**3,545,671**	3,788,328
Cost of sales		**(2,862,858)**	(2,443,681)
Gross profit		**682,813**	1,344,647
Other income and gains	5	**253,230**	310,961
Selling and distribution expenses		**(271,081)**	(285,895)
Administrative expenses		**(353,805)**	(285,907)
Other expenses	5	**(21,604)**	(227,067)
Change in fair value of investment properties	13	**262,254**	294,698
Share of results of associates		**(6,234)**	(9,544)
Share of results of a joint venture		**(12,874)**	–
Finance costs	7	**(813,518)**	(608,164)
(Loss)/profit before income tax	6	**(280,819)**	533,729
Income tax	10	**(295,606)**	(424,598)
(Loss)/profit for the year		**(576,425)**	109,131
(Loss)/profit attributable to:			
Owners of the Company		**(518,494)**	100,573
Non-controlling interests		**(57,931)**	8,558
		(576,425)	109,131
(Loss)/earnings per share attributable to owners of the Company		**RMB cents**	RMB cents
Basic and diluted	11	**(10.39)**	2.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
(Loss)/profit for the year		**(576,425)**	109,131
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Available-for-sale investments:			
Change in fair value	22	**5,099**	(2,825)
Income tax effect		**(745)**	223
Adjustment for realisation upon disposal		**(2,422)**	–
		1,932	(2,602)
Items that will not be subsequently reclassified to profit or loss:			
Gain on property revaluation	12	**252,062**	–
Income tax effect		**(63,016)**	–
		189,046	–
Other comprehensive income for the year		**190,978**	(2,602)
Total comprehensive income for the year		**(385,447)**	106,529
Attributable to:			
Owners of the Company		**(395,148)**	98,151
Non-controlling interests		**9,701**	8,378
		(385,447)	106,529

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	165,206	251,468
Investment properties	13	8,970,499	8,522,900
Prepaid land lease payments	14	–	761,085
Prepayments, deposits and other receivables	25	90,592	–
Other intangible assets	17	620	2,875
Goodwill	18	59,633	–
Long-term deferred expenses	19	2,048	1,114
Interest in a joint venture	20	87,126	–
Interests in associates	21	71,405	57,640
Available-for-sale investments	22	755,805	271,850
Deferred tax assets	23	262,583	187,196
Pledged deposits	26	90,000	–
Total non-current assets		10,555,517	10,056,128
CURRENT ASSETS			
Inventories		479	15,183
Properties under development	15	3,044,677	3,519,156
Completed properties held for sale	16	3,490,315	3,532,799
Trade receivables	24	164,457	46,451
Prepaid land lease payments	14	2,283,575	523,011
Prepayments, deposits and other receivables	25	1,998,351	1,694,834
Financial assets at fair value through profit or loss		12,300	–
Tax recoverable		–	75,208
Available-for-sale investments	22	792,179	246,275
Restricted cash	26	165,302	92,470
Pledged deposits	26	1,236,199	1,982,599
Cash and cash equivalents	26	346,219	1,685,744
		13,534,053	13,413,730
Assets classified as held for sale	27	755,787	–
Total current assets		14,289,840	13,413,730
Total assets		24,845,357	23,469,858

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	28	2,572,629	3,164,463
Other payables and accruals	29	1,732,394	1,179,277
Advances from customers	30	3,395,321	2,899,039
Derivative financial instruments	31	–	23,728
Interest-bearing bank and other borrowings	32	3,240,092	3,494,704
Convertible notes	33	596,021	684,840
Senior notes	35	2,041,538	–
Corporate bonds	36	1,906,473	508,689
Tax payable		842,122	914,134
		16,326,590	12,868,874
Liabilities classified as held for sale	27	590,290	–
Total current liabilities		16,916,880	12,868,874
NET CURRENT (LIABILITIES)/ASSETS		(2,627,040)	544,856
TOTAL ASSETS LESS CURRENT LIABILITIES		7,928,477	10,600,984
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	2,359,727	2,285,514
Senior notes	35	–	2,126,449
Corporate bonds	36	1,063,303	1,515,131
Deferred tax liabilities	23	719,550	523,595
Total non-current liabilities		4,142,580	6,450,689
Total liabilities		21,059,460	19,319,563
NET ASSETS		3,785,897	4,150,295

31 December 2017

	Note	2017 RMB'000	2016 RMB'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	34	313,354	313,354
Reserves		2,936,057	3,331,205
		3,249,411	3,644,559
Non-controlling interests		536,486	505,736
TOTAL EQUITY		3,785,897	4,150,295

Shu Cecheng
Director

Shu Cewan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the Company						
	Share capital RMB'000 (Note 34)	Share premium RMB'000	Reserves RMB'000 (Note 38)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2016	313,354	1,299,010	439,180	1,506,739	3,558,283	457,600	4,015,883
Contributions from non-controlling equity holders of subsidiaries	–	–	–	–	–	17,000	17,000
Business combinations	–	–	–	–	–	26,415	26,415
Total comprehensive income for the year	–	–	(2,422)	100,573	98,151	8,378	106,529
Disposal of subsidiaries	–	–	–	–	–	(171)	(171)
Acquisition of non-controlling interests	–	–	(9,514)	–	(9,514)	(3,486)	(13,000)
Appropriations to statutory surplus reserve	–	–	51,292	(51,292)	–	–	–
Equity-settled share option arrangements	–	–	(2,361)	–	(2,361)	–	(2,361)
As at 31 December 2016	313,354	1,299,010	476,175	1,556,020	3,644,559	505,736	4,150,295
As at 1 January 2017	**313,354**	**1,299,010**	**476,175**	**1,556,020**	**3,644,559**	**505,736**	**4,150,295**
Contributions from non-controlling equity holders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**11,045**	**11,045**
Business combinations	**–**	**–**	**–**	**–**	**–**	**14,984**	**14,984**
Total comprehensive income for the year	**–**	**–**	**123,346**	**(518,494)**	**(395,148)**	**9,701**	**(385,447)**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(4,980)**	**(4,980)**
Appropriations to statutory surplus reserve	**–**	**–**	**23,423**	**(23,423)**	**–**	**–**	**–**
Equity-settled share option arrangements	**–**	**–**	**(18,840)**	**18,840**	**–**	**–**	**–**
As at 31 December 2017	**313,354**	**1,299,010**	**604,104**	**1,032,943**	**3,249,411**	**536,486**	**3,785,897**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before income tax	(280,819)	533,729
Adjustments for:		
Finance costs	813,518	608,164
Share of results of associates	6,234	9,544
Share of results of a joint venture	12,874	–
Interest income	(20,118)	(38,810)
Gain on acquisition of a subsidiary	–	(27,493)
Gain on acquisition of an associate	–	(9,749)
Depreciation	39,016	17,486
Amortisation of other intangible assets	1,144	1,066
Amortisation of long-term deferred expenses	1,219	1,446
Impairment loss recognised for properties under development and completed properties held for sale, net	24,602	30,575
Gain on disposal of items of property, plant and equipment, net	(718)	(1,215)
Gain on disposal of subsidiaries	(44,827)	(178,017)
Gain on disposal of available-for-sale investments	(1,480)	–
Change in fair value of investment properties	(262,254)	(294,698)
Change in fair value of derivative financial instruments	(23,728)	(5,544)
Impairment loss on interest in an associate	3,267	–
Gain on disposal of financial assets at fair value through profit or loss	(30,769)	–
Equity-settled share option expense	–	(2,361)
	237,161	644,123
Decease/(increase) in inventories	14,704	(8,630)
Decrease in properties under development and for sale	680,013	245,207
Disposal of investment properties	258,786	23,074
Additions of long-term deferred expenses	(2,153)	(144)
Increase in trade receivables	(96,684)	(20,755)
(Increase)/decrease in prepayments, deposits and other receivables	(188,406)	6,059
Increase in prepaid land lease payments	(1,153,152)	(163,461)
Change in financial assets at fair value through profit or loss	18,469	–
(Increase)/decrease in restricted cash	(72,832)	61,443
Decrease in pledged deposits	31,552	191,028
Decrease in trade and bills payables	(481,514)	(323,187)
Increase in other payables and accruals	266,945	694,889
Increase/(decrease) in advances from customers	377,629	(644,433)
Cash (used in)/generated from operations	(109,482)	705,213
Interest received	20,118	38,810
Interest paid	(671,932)	(779,199)
Income taxes paid	(243,930)	(113,388)
Net cash flows used in operating activities	(1,005,226)	(148,564)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(72,201)	(10,310)
Purchases of other intangible assets	(71)	(89)
Proceeds of acquisition of subsidiaries, net	(123,490)	2,387
Proceeds from disposal of items of property, plant and equipment	7,897	1,856
Increase in investment properties	(140,271)	(222,954)
Proceeds from disposal of other intangible assets	948	–
Disposal of subsidiaries	155,141	470,088
Purchase of available-for-sale investments	(1,079,087)	(520,000)
Proceeds from disposal of available-for-sale investments	55,807	–
Investment in an associate	(20,000)	(23,500)
Investment in a joint venture	(100,000)	–
Decrease/(increase) in pledged deposits	624,848	(782,407)
Increase in prepayments, deposits and other receivables	(90,592)	(1,054,594)
Net cash flows used in investing activities	(781,071)	(2,139,523)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of corporate bonds	988,998	1,974,865
Repayment of corporate bonds	(120,000)	–
Effect of foreign exchange rate changes, net	(148,467)	168,100
Capital contributions from non-controlling equity holders of subsidiaries	11,045	17,000
Acquisition of non-controlling interests	–	(13,000)
Repayment of convertible notes	(92,030)	–
Proceeds from interest-bearing bank and other borrowings	3,554,235	5,719,439
Repayment of interest-bearing bank and other borrowings	(3,729,734)	(4,898,651)
Net cash flows generated from financing activities	464,047	2,967,753
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,322,250)	679,666
Cash and cash equivalents at beginning of year	1,685,744	1,006,078
CASH AND CASH EQUIVALENTS AT END OF YEAR	363,494	1,685,744
Cash and cash equivalents as stated in the consolidated statement of financial position	346,219	1,685,744
Cash and cash equivalents classified as held for sale	17,275	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	363,494	1,685,744

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION

Wuzhou International Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2010 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The head office and principal place of business of the Company in Hong Kong is located at Unit 5105, 51/F, The Center, 99 Queen's Road Central, Hong Kong.

During the year, the Group, comprising the Company and its subsidiaries, was principally involved in property development, property investment and the provision of property management services in the People's Republic of China (the "PRC").

In the opinion of the directors, the ultimate holding company of the Company is Boom Win Holding Limited ("Boom Win"), which is incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Shu Cecheng and Mr. Shu Cewan (the "Shu Brothers" or "Controlling Shareholders").

The following is a list of principal subsidiaries as at 31 December 2017:

Subsidiaries	Notes	Place and date of incorporation/ establishment	Nominal Value of issued/ registered share capital	Percentage of equity interest attributeable to the Company	Principal activities
Hong Kong Wuzhou International Group Limited 香港五洲國際集團有限公司	1	Hong Kong/ 6 May 2010	HKD10,000	100%	Investment holding
無錫中南置業投資有限公司 ("Wuxi Zhongnan Property Investment Co., Ltd.")	3	PRC/ 24 December 2004	RMB36,614,000	100% (Indirect)	Property development
無錫五洲國際裝飾城有限公司 ("Wuxi Wuzhou International Ornament City Co., Ltd.")	2	PRC/ 1 February 2005	RMB100,000,000	100% (Indirect)	Property development and property investment
無錫市崇安新城龍安商業物業經營管理有限公司 ("Wuxi Chonganxincheng Longan Commercial Property Management Co., Ltd." ("Wuxi Longan"))	2	PRC/ 24 October 2008	RMB1,000,000	64.3% (Indirect)	Property management
無錫市龍祥投資有限公司 ("Wuxi Longxiang Investment Co., Ltd.")	3	PRC/ 30 April 2009	RMB20,000,000	62% (Indirect)	Property development
南通五洲國際投資有限公司 ("Nantong Wuzhou International Investment Co., Ltd.")	3	PRC/ 21 January 2010	RMB80,000,000	51% (Indirect)	Property development
盱眙五洲國際置業有限公司 ("Xuyi Wuzhou International Property Co., Ltd.")	3	PRC/ 19 April 2010	RMB50,000,000	100% (Indirect)	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Subsidiaries	Notes	Place and date of incorporation/ establishment	Nominal Value of issued/ registered share capital	Percentage of equity interest attributeable to the Company	Principal activities
大理五洲國際商貿城有限公司 ("Dali Wuzhou International Commercial City Co., Ltd.")	3	PRC/ 27 August 2010	RMB20,000,000	100% (Indirect)	Property development
重慶市榮昌區五洲五金裝飾城有限公司 ("Chongqing Rongchang Wuzhou Hardware Ornament City Co., Ltd.")	3	PRC/ 20 September 2010	RMB60,000,000	94% (Indirect)	Property development
無錫市龍騰商業投資发展有限公司 ("Wuxi Longteng Commercial Investment & Development Co., Ltd.")	3	PRC/ 22 December 2010	RMB50,000,000	100% (Indirect)	Property development
襄陽五洲國際商貿城有限公司 ("Xiangyang Wuzhou International Commercial City Co., Ltd.")	3	PRC/ 13 September 2011	RMB100,000,000	100% (Indirect)	Property development
龍口五洲國際商貿城有限公司 ("Longkou Wuzhou International Commercial City Co., Ltd.")	3	PRC/ 10 November 2011	RMB20,000,000	95% (Indirect)	Property development
江陰五洲置業有限公司 ("Jiangyin Wuzhou Property Co., Ltd.")	3	PRC/ 17 January 2012	RMB60,000,000	90% (Indirect)	Property development
烟台五洲置業有限公司 ("Yantai Wuzhou Property Co., Ltd.")	3	PRC/ 24 July 2012	RMB20,000,000	95% (Indirect)	Property development
保山五洲國際廣場有限公司 ("Baoshan Wuzhou International Plaza Co., Ltd.")	3	PRC/ 9 January 2013	RMB20,000,000	61% (Indirect)	Property development
洛陽五洲國際工業博覽城有限公司 ("Luoyang Wuzhou International Industrial Exposition City Co., Ltd.")	3	PRC/ 31 January 2013	RMB60,000,000	51% (Indirect)	Property development
瑞安市五洲國際商貿城有限公司 ("Ruian Wuzhou International Commercial City Co., Ltd.")	3	PRC/ 9 April 2013	RMB50,000,000	100% (Indirect)	Property development
牡丹江五洲國際商貿博覽城有限公司 ("Mudanjiang Wuzhou International Trade Exposition City Co., Ltd.")	2	PRC/ 25 July 2013	HKD195,000,000	100% (Indirect)	Property development
江蘇通潤置業有限公司 ("Jiangsu Tongrun Property Co., Ltd.")	2	PRC/ 26 August 2013	USD80,000,000	100% (Indirect)	Property development
長春市中南房地產開發有限公司 ("Changchun Zhongnan Property Development Co., Ltd.")	2	PRC/ 29 August 2013	RMB200,000,000	100% (Indirect)	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Subsidiaries	Notes	Place and date of incorporation/ establishment	Nominal Value of issued/ registered share capital	Percentage of equity interest attributable to the Company	Principal activities
鄭州五洲國際工業博覽城房地產有限公司 ("Zhengzhou Wuzhou International Industrial Exposition City Property Co., Ltd.")	3	PRC/ 11 October 2013	RMB50,000,000	100% (Indirect)	Property development
宜興五洲立盛商業發展有限公司 ("Yixing Wuzhou Lisheng Commercial Development Co., Ltd.")	2	PRC/ 29 October 2013	USD30,000,000	51% (Indirect)	Property development
五洲國際(樂清)電工電氣城有限公司 ("Wuzhou International (Yueqing) Electrical City Co., Ltd.")	3	PRC/ 15 May 2015	RMB1,000,000	100% (Indirect)	Property development
漳洲五洲國際商貿城有限公司 ("Zhangzhou Wuzhou International Commercial City Co., Ltd.")	3	PRC/ 10 July 2015	RMB130,000,000	100% (Indirect)	Property development
浙江紅貝投資有限公司 ("Zhejiang Hongbei Investment Co., Ltd.")	3	PRC/ 10 July 2012	RMB58,000,000	51% (Indirect)	Property development
南通五洲商業投資有限公司 ("Nantong Wuzhou Commercial International Co., Ltd.")	3	PRC/ 10 January 2013	RMB60,000,000	100% (Indirect)	Property development

Note 1 Registered as limited liability companies under the Hong Kong Companies Ordinance.

Note 2 Registered as wholly-foreign-owned entities under PRC law.

Note 3 Registered as limited liability companies under PRC law.

The English names of the subsidiaries which are established in the PRC are for identification purpose only.

2.1 BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which in collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (the "IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretation Committee (the "IFRIC") of the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

Basis of measurement and going concern basis

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values as explained in the accounting policies set out below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group incurred a loss attributable to owners of the Company of approximately RMB518 million for the year ended 31 December 2017 and recorded net current liabilities of approximately RMB2,627 million as at 31 December 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

These consolidated financial statements were prepared based on the assumption that the Group is able to operate as a going concern and the directors of the Company are of the view that the Group will have sufficent working capital to finance its operations in the next twelve months from 31 December 2017, after taking into account the following major factors:

(i) the Group continues to implement measures to tighten cost controls over various operating costs in order to improve its profitability and to generate positive cash inflow from its operations in the future;

(ii) the advances from customers for pre-sale of properties of approximately RMB3,395 million which were classified under current liabilities as at 31 December 2017 should not result in any outflows of economic benefits;

(iii) the Group is actively negotiating with the financial institutions in the PRC to seek for renewal of the existing interest-bearing borrowings and to obtain new facilities. The directors of the Company have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the relevant financial institutions in the PRC which enhance the Group's ability to renew the existing interest-bearing borrowings upon expiry. The directors of the Company are of the opinion that it is likely that the financial institutions would renew such facilities upon expiry. Subsequent to the year end, the Group's unutilised facilities amounted to not less than approximately RMB4,450 million which are currently available for the Group's refinancing purpose; and

(iv) as at 31 December 2017, the Group had unsecured investment properties located in the PRC with net carrying amount of approximately RMB4,599 million, that are available for the Group to realise a significant amount of cash upon disposal or to pledge those unsecured investment properties as securities for new borrowings when necessary.

There is material uncertainty related to the outcomes of the above events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the going concern basis be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.1 BASIS OF PREPARATION (continued)

Basis of measurement and going concern basis (continued)

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, in addition to the use of going concern basis as mentioned above, are disclosed in Note 3.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new or revised standards which are effective since 1 January 2017 for the current year's financial statements.

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to IFRS 12, Disclosure of Interests in Other Entities

Amendments to IAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated statement of cash flows, Note 50.

Except for as discussed above, the adoption of these amendments has no material impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following new or amended IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures[1]
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)[1]
Amendments to IAS 40	Transfers of Investment Property[1]
IFRS 16	Leases[2]
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company have reviewed the Group's financial assets as at 31 December 2017 and anticipated that the application of IFRS 9 in the future may result in early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised cost. Certain financial instruments are currently classified as "available-for-sale" and measured at cost, which may be measured at FVTOCI, the directors of the Company have reviewed that upon the initial adoption of IFRS 9, the fair value changes on available-for-sale investments does not have significant impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations.

IFRS 15 requires the application of a 5-step approach to revenue recognition:

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

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company anticipated that the application of IFRS 15 in the future may result in more disclosures, and may have an impact on the timing and amounts of revenue recognised since Group's contracts with customers may include financing components in the respective reporting periods.

Amendments to IFRS 15 – Revenue from Contracts with customers

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

IFRS 16 – Leases

IFRS 16, which upon the effective date will supersede IAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 16 – Leases (continued)

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately RMB8,289,000 as disclosed in Note 43. A preliminary assessment indicated that these arrangement will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-to-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short –term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Amendments to IAS 40 – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

IFRIC-Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

IFRIC-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Except as discussed above, the directors of the Company anticipate that the application of the other new and amendments to IFRSs and interpretations will have no material impact on the consolidated financial statements of the Group in the future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's interests in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the consolidated statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

Fair value measurement

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

	Estimated useful life	Annual depreciation rate
Buildings	40 years	2.38%
Plant and machinery	3 – 10 years	9.50% to 31.67%
Motor vehicles	4 – 5 years	19.00% to 23.75%
Office equipment	3 – 5 years	19.00% to 31.67%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

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

Properties under development

Properties under development are intended to be held for sale after completion.

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

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Allocation of property development costs

Land costs are allocated to each unit according to their respective saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, and are depreciated over their estimated useful lives.

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

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

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies for revenue recognition.

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

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is recognised in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings (continued)

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Senior notes and corporate bonds

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

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

Transaction costs that relate to the issue of the senior notes and corporate bonds are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the periods of the senior notes and corporate bonds using the effective interest method.

Convertible notes

If the conversion option of convertible notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- in respect of taxable temporary differences associated with interests in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled; and

- it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Revenue from the sale of properties in the ordinary course of business is recognised when all the following criteria are met:

(a) the significant risks and rewards of ownership of the properties are transferred to purchasers;

(b) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties are retained;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

For the Group, revenue from sale of completed properties is, in principle, recognised upon the signing of property handover letter, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer.

Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Service income is recognised when the services are rendered and the inflow of economic benefit is probable.

Dividend income is recognised when the shareholder’s right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a pre-IPO share awards scheme and a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value was determined by Savills Valuation and Professional Services Limited ("Savills Valuation"), an independent firm of professionally qualified valuers, using a binomial model, further details of which are set out in Note 37.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant-date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant-date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an award being immediately charged to profit or loss unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award as mentioned above.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operate by the local municipal government. These subsidiaries are required to contribute a certain proportion of these payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

Since the majority of the assets and operations of the Group are located in the PRC, the financial statements are presented in RMB, which are the functional currency of the Company. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Transfer to or from investment property

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

Revenue recognition

The Group has recognised revenue from sale of properties held for sale during the period as disclosed in Note 5 to these financial statements. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyer requires examination of the circumstances of the transaction which depends on the contractual arrangements for the sale and the laws in the relevant jurisdiction. In most cases, the transfer of risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer. The Group believes that its recognition basis of sales as set out in Note 2.4 is appropriate and is the current practice in the PRC.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Provision of properties under development and completed properties held for sale

The Group's 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 historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement 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.

PRC corporate income tax

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimate of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Further details of investment properties, including the key assumptions used for fair value measurement and a sensitivity analysis, are set out in Note 13.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. Further details of the available-for-sale financial assets are set out in Note 22.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite-life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimated useful lives of property, plant and equipment

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

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property management and investment segment engages in providing commercial management services, property management services, property consulting services and investing in properties for their rental income potential and/or for capital appreciation; and

(c) the "others" segment engages in department store operation and providing consulting services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group's profit or loss before income tax except that finance costs, dividend income and share of income or losses of associates and joint venture are excluded from this measurement.

Segment assets exclude available-for-sale investments and interests in associates and a joint venture as these assets are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

No information about major customers is presented as no sales to a single customer contributed to over 10% of the Group's revenue for the years ended 31 December 2016 and 2017.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2017	Property development RMB'000	Property management and investment RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue				
Sales to external customers	3,327,553	187,774	30,344	3,545,671
Segment results	461,073	75,614	15,120	551,807
Reconciliation:				
Finance costs				(813,518)
Share of results of associates				(6,234)
Share of results of a joint venture				(12,874)
Loss before income tax				(280,819)
Segment assets	13,347,253	9,559,980	231,609	23,138,842
Reconciliation:				
Available-for-sale investments				1,547,984
Interests in associates				71,405
Interest in a joint venture				87,126
Total assets				24,845,357
Segment liabilities	18,965,417	1,886,712	207,331	21,059,460
Total liabilities				21,059,460
Other segment information				
Depreciation and amortisation	39,058	1,902	419	41,379
Change in fair value of investment properties	–	262,254	–	262,254

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2016	Property development RMB'000	Property management and investment RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
Segment revenue					
Sales to external customers	3,436,475	224,656	172,422	(45,225)	3,788,328
Segment results	576,100	322,814	207,298	45,225	1,151,437
Reconciliation:					
Finance costs					(608,164)
Share of results of associates					(9,544)
Profit before income tax					533,729
Segment assets	13,576,604	9,066,351	251,138	–	22,894,093
Reconciliation:					
Available-for-sale investments					518,125
Interests in associates					57,640
Total assets					23,469,858
Segment liabilities	18,679,409	589,753	50,401	–	19,319,563
Total liabilities					19,319,563
Other segment information					
Depreciation and amortisation	10,907	2,865	6,226	–	19,998
Change in fair value of investment properties	–	294,698	–	–	294,698

5. REVENUE, OTHER INCOME, GAINS AND OTHER EXPENSES

Revenue, represents income from the sale of properties, rental income, commercial management service income, property management service income and property consulting service income during the year, after deduction of allowances for returns and trade discounts.

An analysis of revenue, other income, gains and other expenses is as follows:

	2017 RMB'000	2016 RMB'000
Revenue		
Sale of properties	3,172,047	3,436,475
Rental income	105,761	116,887
Commercial management service income	147,670	101,287
Property consulting service income	57,951	79,854
Property management service income	24,311	5,339
Others	37,931	48,486
	3,545,671	3,788,328
Other income		
Subsidy income	1,676	35,225
Interest income	20,118	38,810
Foreign exchange differences	124,824	–
Others	5,030	10,670
	151,648	84,705
Gains		
Gain on disposal of prepaid land lease payments	–	4,141
Gain on disposal of items of property, plant and equipment	778	1,312
Gain on disposal of financial assets at fair value through profit or loss	30,769	–
Gain on disposal of available-for-sale investments	1,480	–
Gain on disposal of subsidiaries (Note 41)	44,827	178,017
Gain on acquisition of a subsidiary	–	27,493
Gain on acquisition of an associate	–	9,749
Fair value gains, net:		
Derivative instruments at fair value through profit or loss	23,728	5,544
	101,582	226,256
	253,230	310,961

5. REVENUE, OTHER INCOME, GAINS AND OTHER EXPENSES (continued)

An analysis of revenue, other income, gains and other expenses is as follows: (continued)

	2017 RMB'000	2016 RMB'000
Other expenses		
Foreign exchange differences	–	194,479
Loss on disposal of items of property, plant and equipment	60	97
Impairment loss on interest in an associate	3,267	–
Others	18,277	32,491
	21,604	227,067

6. (LOSS)/PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	Notes	2017 RMB'000	2016 RMB'000
Cost of properties sold		2,587,002	2,309,594
Cost of property management service provided		22,160	1,498
Cost of property consulting service provided		13,374	19,570
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties and commercial management service provided		58,714	65,170
Impairment loss recognised for properties under development and completed properties held for sale, net		24,602	30,575
Depreciation	12	39,016	17,486
Amortisation of other intangible assets	17	1,144	1,066
Amortisation of long-term deferred expenses	19	1,219	1,446
Auditors' remuneration		6,447	7,089
Employee benefit expense (excluding directors and chief executive's remuneration (Note 8)):			
Wages and salaries		177,093	166,837
Equity-settled share-based payment expenses	37	171	(2,361)
Pension and social welfare*		39,369	37,089
		216,633	201,565

* As at 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (31 December 2016: RMBNil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 RMB'000	2016 RMB'000
Interest on bank and other borrowings	297,472	459,018
Interest on senior notes (Note 35)	297,375	291,205
Interest on convertible notes (Note 33)	91,347	120,656
Interest on corporate bonds (Note 36)	222,458	48,955
Less: Interest capitalised	(95,134)	(311,670)
	813,518	608,164

8. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383 of the Hong Kong Companies Ordinance and the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2017 RMB'000	2016 RMB'000
Fees	441	286
Other emoluments:		
Salaries, allowances and benefits in kind	215	1,147
Equity-settled share-based payment expenses	–	(787)
Pension scheme contributions	28	122
	243	482
	684	768

8. DIRECTORS' REMUNERATION (continued)

Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 37. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2017 RMB'000	2016 RMB'000
Dr. Song Ming	**208**	164
Mr. Lo Kwong Shun, Wilson	**121**	61
Prof. Shu Guoying	**104**	61
Mr. Zhou Chen	**8**	–
	441	286

There were no other emoluments payable to the independent non-executive directors during the year (2016: RMBNil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors, a non-executive director and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share-based payment expenses RMB'000	Pension and social welfare RMB'000	Total remuneration RMB'000
2017					
Executive director:					
Mr. Shu Cecheng	–	173	–	18	191
Non-executive director:					
Mr. Wang Wei	–	–	–	–	–
Chief executive and executive director:					
Mr. Shu Cewan	–	42	–	10	52
	–	215	–	28	243
2016					
Executive directors:					
Mr. Shu Cecheng	–	46	–	18	64
Mr. Shu Ceyuan	–	359	(164)	26	221
Ms. Wu Xiaowu	–	300	(164)	22	158
Mr. Zhao Lidong	–	400	(213)	41	228
	–	1,105	(541)	107	671
Non-executive director:					
Mr. Wang Wei	–	–	–	–	–
Chief executive and executive director:					
Mr. Shu Cewan	–	42	(246)	15	(189)
	–	1,147	(787)	122	482

Mr. Zhao Lidong retired as an executive director of the Company with effect from September 2016 upon the expiry of his service contract. Mr. Shu Ceyuan and Ms. Wu Xiaowu resigned as executive directors of the Company in September 2016.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2016: two directors), details of whose remuneration are set out in Note 8 above. Details of the remuneration for the year of the remaining three (2016: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	2,389	2,257
Performance-related bonuses	145	–
Equity-settled share-based payment expenses	–	(210)
Pension and social welfare	59	21
	2,593	2,068

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
HKDNil to HKD1,000,000	2	2
HKD2,000,001 to HKD2,500,000	1	1
	3	3

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income currently arising in Hong Kong for the years ended 31 December 2016 and 2017.

Subsidiaries of the Group operating in Mainland China are subject to PRC corporate income tax at a rate of 25%.

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interest on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value except for those permitted otherwise under the respective laws and regulations, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

10. INCOME TAX (continued)

The Group has estimated and made 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.

	2017 RMB'000	2016 RMB'000
Current tax:		
PRC corporate income tax	85,821	157,341
PRC LAT	158,358	173,552
Deferred tax	51,427	93,705
Total tax charge for the year	295,606	424,598

A reconciliation of income tax applicable to (loss)/profit before income tax at the statutory tax rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax at the effective income tax rate is as follows:

	2017 RMB'000	2016 RMB'000
(Loss)/profit before income tax	(280,819)	533,729
Tax at the statutory tax rate	(70,205)	133,432
Expenses not deductible for tax	215,115	169,245
Utilisation of tax losses previously not recognised	(26,533)	(7,156)
Tax losses not recognised	64,890	31,972
Profits and losses attributable to associates	1,559	2,386
Profits and losses attributable to a joint venture	3,219	–
Provision for LAT	158,358	173,552
Tax effect on LAT	(39,590)	(43,388)
Gain on acquisitions	–	(9,311)
Gain on disposal of subsidiaries not subject to tax	(11,207)	(26,134)
Income tax at the Group's effective rate	295,606	424,598

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/earnings for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 4,990,259,914 (2016: 4,990,259,914) in issue during the year.

The calculation of the diluted (loss)/earnings per share amount is based on the (loss)/earnings for the year attributable to owners of the Company, adjusted to reflect the interest on the convertible notes, where applicable. No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2016 and 2017 in respect of a dilution as the impact of the convertible notes had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

The computation of diluted earnings per share for the years ended 31 December 2016 and 2017 does not assume the conversion of potential ordinary shares in relation to share options granted as they are anti-dilutive.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2017 **RMB'000**	2016 RMB'000
(Loss)/earnings		
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	**(518,494)**	100,573

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2017	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2016 and 1 January 2017:						
Cost	265,658	682	65,544	40,822	2,504	375,210
Accumulated depreciation	(34,398)	(343)	(55,565)	(33,436)	–	(123,742)
Net carrying amount	231,260	339	9,979	7,386	2,504	251,468
At 1 January 2017, net of accumulated depreciation	231,260	339	9,979	7,386	2,504	251,468
Additions	67,599	102	1,696	2,804	–	72,201
Acquisition of subsidiaries (Note 40)	17	–	472	583	–	1,072
Transferred from construction in progress to buildings	2,504	–	–	–	(2,504)	–
Transferred to investment properties (Note 13)	(364,229)	–	–	–	–	(364,229)
Revaluation	252,062	–	–	–	–	252,062
Disposals	(6,264)	(11)	(904)	–	–	(7,179)
Disposals of subsidiaries (Note 41)	–	–	(409)	(710)	–	(1,119)
Asset classified as held for sale (Note 27)	–	–	(20)	(34)	–	(54)
Depreciation provided during the year	(30,256)	(145)	(3,715)	(4,900)	–	(39,016)
At 31 December 2017, net of accumulated depreciation	152,693	285	7,099	5,129	–	165,206
At 31 December 2017:						
Cost	217,347	773	66,379	43,465	–	327,964
Accumulated depreciation	(64,654)	(488)	(59,280)	(38,336)	–	(162,758)
Net carrying amount	152,693	285	7,099	5,129	–	165,206

12. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2016	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2015 and 1 January 2016:						
Cost	257,403	666	72,039	41,402	2,866	374,376
Accumulated depreciation	(27,061)	(268)	(57,016)	(29,561)	–	(113,906)
Net carrying amount	230,342	398	15,023	11,841	2,866	260,470
At 1 January 2016, net of accumulated depreciation	230,342	398	15,023	11,841	2,866	260,470
Additions	8,255	33	366	1,227	(362)	9,519
Acquisition of a subsidiary	–	–	–	353	–	353
Disposals	–	–	(500)	(141)	–	(641)
Disposals of subsidiaries (Note 41)	–	(17)	(336)	(394)	–	(747)
Depreciation provided during the year	(7,337)	(75)	(4,574)	(5,500)	–	(17,486)
At 31 December 2016, net of accumulated depreciation	231,260	339	9,979	7,386	2,504	251,468
At 31 December 2016:						
Cost	265,658	682	65,544	40,822	2,504	375,210
Accumulated depreciation	(34,398)	(343)	(55,565)	(33,436)	–	(123,742)
Net carrying amount	231,260	339	9,979	7,386	2,504	251,468

At 31 December 2017, certain of the Group's buildings were pledged to secure general facilities granted to the Group (Note 32).

13. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2016	5,992,800	1,946,300	7,939,100
Additions	–	192,632	192,632
Transferred from investment properties under construction	301,754	(301,754)	–
Transferred from properties under development (Note 15)	33,301	86,243	119,544
Transferred to cost of properties sold (Note 6)	(23,074)	–	(23,074)
Change in fair value of investment properties	105,024	189,674	294,698
Carrying amount at 31 December 2016 and 1 January 2017	**6,409,805**	**2,113,095**	**8,522,900**
Additions	**–**	**140,271**	**140,271**
Transferred from investment properties under construction	**1,146,878**	**(1,146,878)**	**–**
Transferred from properties under development (Note 15)	**181,349**	**–**	**181,349**
Transferred from completed properties held for sale (Note 16)	**262,782**	**–**	**262,782**
Transferred from property, plant and equipment (Note 12)	**364,229**	**–**	**364,229**
Transferred to cost of properties sold (Note 6)	**(258,786)**	**–**	**(258,786)**
Assets classified as held for sale (Note 27)	**(504,500)**	**–**	**(504,500)**
Change in fair value of investment properties	**232,895**	**29,359**	**262,254**
Carrying amount at 31 December 2017	**7,834,652**	**1,135,847**	**8,970,499**

The Group's investment properties were stated at fair value on 31 December 2016 and 2017 with reference to valuation performed by Savills Valuation and Yinxin Assets Appraisal Co., Limited, independent firms of professionally qualified valuers, on an open market value, based on capitalisation of net income derived from the existing tenancies with allowance for the reversionary income potential of the properties. The investment properties are leased to third parties under operating leases, further details of which are included in Note 43.

At 31 December 2017, certain of the Group's investment properties are pledged to secure general facilities granted to the Group (Note 32).

All the Group's investment properties are stated at fair value categorised within Level 3 of the fair value hierarchy. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: RMBNil).

13. INVESTMENT PROPERTIES (continued)

The following is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2017	**2016**
Commercial properties	Income capitalisation method	Estimated rental value (RMB per sq.m. and per month)	**23 to 281**	21 to 270
		Discount rate	**4%**	4.28%
Commercial properties under construction	Income capitalisation method	Estimated rental value (RMB per sq.m. and per month)	**22 to 74**	24 to 74
		Discount rate	**4%**	4.92%

The fair values of investment properties are determined using the income capitalisation method by capitalising the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market monthly rental rate, and negatively correlated to capitalisation rate.

A significant increase/(decrease) in the estimated rental value per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the capitalisation rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

14. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	**1,284,096**	1,222,788
Additions during the year	**1,153,152**	307,193
Transferred to properties under development during the year (Note 15)	**(153,673)**	(121,002)
Disposal of subsidiaries (Note 41)	**–**	(102,153)
Disposal of prepaid land lease payments	**–**	(22,730)
Carrying amount at 31 December	**2,283,575**	1,284,096
Less: Current portion	**(2,283,575)**	(523,011)
Non-current portion	**–**	761,085

At 31 December 2017, the Group's certain prepaid land lease payments were pledged to secure general facilities granted to the Group (Note 32).

15. PROPERTIES UNDER DEVELOPMENT

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	3,519,156	4,705,991
Acquisition of subsidiaries (Note 40)	1,378,998	5,296
Additions during the year	1,648,203	2,231,981
Transferred from prepaid land lease payments (Note 14)	153,673	121,002
Disposal of subsidiaries (Note 41)	(1,198,544)	(431,208)
Transferred to completed properties held for sale (Note 16)	(2,105,547)	(2,982,392)
Transferred to investment properties (Note 13)	(181,349)	(119,544)
Assets classified as held for sale (Note 27)	(171,074)	–
Impairment loss written back/(recognised) (Note 6)	1,161	(11,970)
Carrying amount at 31 December	3,044,677	3,519,156

At 31 December 2017, the Group's certain properties under development were pledged to secure general facilities granted to the Group (Note 32), and items of RMB55,098,000 (2016: RMB57,010,000) were frozen for a lawsuit in which a subsidiary of the Group is currently a defendant.

The movements in provision for impairment are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	36,683	48,170
Impairment loss (written back)/recognised (Note 6)	(1,161)	11,970
Transferred to completed properties held for sale (Note 16)	(25,365)	(6,506)
Disposal of subsidiaries	–	(16,951)
Carrying amount at 31 December	10,157	36,683

16. COMPLETED PROPERTIES HELD FOR SALE

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	**3,532,799**	3,053,952
Acquisition of subsidiaries (Note 40)	**468,730**	–
Transferred from properties under development (Note 15)	**2,105,547**	2,982,392
Disposal of subsidiaries (Note 41)	**–**	(198,420)
Transferred to investment properties (Note 13)	**(262,782)**	–
Transferred to cost of properties sold (Note 6)	**(2,328,216)**	(2,286,520)
Impairment loss recognised (Note 6)	**(25,763)**	(18,605)
Carrying amount at 31 December	**3,490,315**	3,532,799

At 31 December 2017, the Group's certain completed properties held for sale were pledged to secure general facilities granted to the Group (Note 32).

The movements in provision for impairment are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**79,963**	97,255
Impairment loss recognised (Note 6)	**25,763**	18,605
Transferred from properties under development (Note 15)	**25,365**	6,506
Disposal of subsidiaries	**–**	(4,146)
Transferred to cost of properties sold	**(6,216)**	(38,257)
Carrying amount at 31 December	**124,875**	79,963

17. OTHER INTANGIBLE ASSETS

	2017 RMB'000	2016 RMB'000
Software		
At 1 January		
Cost	8,219	8,253
Accumulated amortisation	(5,344)	(4,339)
Net carrying amount	2,875	3,914
Cost at 1 January, net of accumulated amortisation	2,875	3,914
Additions	71	89
Disposal	(948)	–
Assets classified as held for sale (Note 27)	(103)	–
Disposals of subsidiaries (Note 41)	(131)	(62)
Amortisation provided during the year	(1,144)	(1,066)
At 31 December, net of accumulated amortisation	620	2,875
At 31 December		
Cost	6,185	8,219
Accumulated amortisation	(5,565)	(5,344)
Net carrying amount	620	2,875

18. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	–	–
Acquired through business combinations (Note 40)	59,633	–
Carrying amount at 31 December	59,633	–

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating units of property development.

The recoverable amount for each of the cash-generating units was determined based on the value-in-use calculations, covering a five-year budget plan which represents the business cycle and strategic plan of the Group's property development segment and discount rate of 5% estimated by the management.

The key assumption has been determined based on past performance and expectations for the market development after taking into consideration published market forecast and research. The discount rate used is pre-tax rate and reflects specific risks relating to the relevant segment.

Apart from the considerations described in determining the value-in-use amounts of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the key estimates are particularly sensitive to the market development.

19. LONG-TERM DEFERRED EXPENSES

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	1,114	2,416
Additions	2,153	144
Amortisation provided during the year	(1,219)	(1,446)
Carrying amount at 31 December	2,048	1,114

20. INTEREST IN A JOINT VENTURE

	2017 RMB'000	2016 RMB'000
Share of net assets	**87,126**	–

During the year ended 31 December 2017. the Group has a 51% interest in joint venture, Hunan Hongxiong Property Development Co., Ltd* 湖南洪雄房地產開發有限公司 ("Hunan Hongxiong"), a separate structured vehicle incorporated and operating in the PRC. The primary activity of Hunan Hongxiong is property development, which is in line with the Group's strategy to expand the property development division.

The contractual arrangement provides the Group with only the joint control over Hunan Hongxiong and the rights to the net assets of the joint venture. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

Summarised financial information of the joint venture, adjusted for any differences in accounting policies, is presented below:

	RMB'000
As at 31 December 2017	
Current assets	356,554
Non-current assets	771
Current liabilities	163,003
Non-current liabilities	23,486
Net assets	170,836
Included in the above amounts are:	
Cash and cash equivalents	440
Year ended 31 December 2017	
Revenue	–
Loss and total comprehensive income for the period	25,243

The Group's share of contingent liabilities of Hunan Hongxiong is approximately RMB23,320,000 in related to litigations.

As at 31 December 2017, no capital commitments were shared by the Group.

* *For identification purpose only*

21. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Share of net assets	71,405	57,640

(a) Particulars of the associates are as follows:

Name	Place and year of incorporation/ establishment	Paid-in capital RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
Wuxi Bonan Property Co., Ltd. *	Wuxi, PRC 2009	135,000	20.00%	Property development
Wuxi Longan Property Co., Ltd. *	Wuxi, PRC 2009	50,000	25.00%	Property development
Wuxi Wuzhou Xiangjiang Housing Co., Ltd. *	Wuxi, PRC 2013	10,000	49.00%	Property management
Fushun Zhonghe Market developmemt Co., Ltd. *	Fushun, PRC 2013	115,347	49.50%	Property development

* Not audited by BDO Limtied, or another member firm.

(b) The Group's associates are not individually material. The associates have been accounted for using the equity method in these financial statements.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2017 RMB'000	2016 RMB'000
Unlisted equity investment, at cost	(i)	950	950
Trust fund investments, at cost	(ii)	1,079,087	–
Trust fund investments, at fair value		467,947	517,175
		1,547,984	518,125
Less: Current portion		(792,179)	(246,275)
Non-current portion		755,805	271,850

(i) The unlisted equity investment represented an equity investment in Wuxi Zhouhui Development Co., Ltd. ("Wuxi Zhouhui", an unlisted company with a registered capital of RMB10,000,000), which was designated as an available-for-sale financial asset. The investment was stated at cost less impairment because the investment does not have a quoted market price in an active market and, in the opinion of the directors, the fair value of the investment cannot be measured reliably. The Group does not intend to dispose of it in the near future.

(ii) During the year ended 31 December 2017, the Group acquired certain trust fund investments. These investments were designated as available-for-sale financial assets. The investments were stated at cost less impairment because the investments do not have a quoted market price in an active market and, in the opinion of the directors, the fair value of the investments cannot be measured reliably.

The movements of trust fund investments, which are measured at fair value, are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	517,175	–
Additions	–	520,000
Disposals	(54,327)	–
Net change recognised in other comprehensive income	5,099	(2,825)
Carrying amount at 31 December	467,947	517,175
Less: Current portion	(317,579)	(246,275)
Non-current portion	150,368	270,900

23. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profit RMB'000	Unrealised revenue received in advance RMB'000	Payroll and welfare accrual RMB'000	Accrued costs, LAT and expenses RMB'000	Unrealised subsidy income received RMB'000	Allowance for asset impairment RMB'000	Fair value adjustment descending from available-for-sale investments RMB'000	Total RMB'000
At 1 January 2016	55,703	54,171	1,125	102,637	150,607	18,150	–	382,393
Deferred tax credited/(charged) to the statement of profit or loss during the year	(41,119)	4,311	(64)	13,580	(301)	618	–	(22,975)
Deferred tax charged to equity	–	–	–	–	–	–	454	454
Disposal of subsidiaries (Note 41)	–	–	–	(762)	–	–	–	(762)
Acquisition of a subsidiary	883	–	–	438	–	–	–	1,321
At 31 December 2016 and 1 January 2017	15,467	58,482	1,061	115,893	150,306	18,768	454	360,431
Deferred tax credited/(charged) to the statement of profit or loss during the year	120,554	(3,142)	(1,036)	6,147	(109,139)	(6,313)	–	7,071
Reclassification upon disposal	–	–	–	–	–	–	(454)	(454)
Deferred tax charged to equity	–	(283)	–	–	–	–	–	(283)
Disposal of subsidiaries (Note 41)	(3,691)	(471)	–	–	(8,444)	–	–	(12,606)
At 31 December 2017	132,330	54,586	25	122,040	32,723	12,455	–	354,159

23. DEFERRED TAX (continued)

The movements in deferred tax assets and liabilities during the year are as follows: (continued)

Deferred tax liabilities

	Fair value adjustment arising from investment properties RMB'000	Fair value adjustment on respective acquisition dates of subsidiaries RMB'000	Gain on business combination RMB'000	Fair value adjustment arising from available-for-sale investments RMB'000	Total RMB'000
At 1 January 2016	591,342	15,767	18,760	–	625,869
Deferred tax charged/(credited) to the statement of profit or loss during the year	71,338	(608)	–	–	70,730
Deferred tax charged to equity	–	–	–	231	231
At 31 December 2016 and 1 January 2017	**662,680**	**15,159**	**18,760**	**231**	**696,830**
Deferred tax charged to the statement of profit or loss during the year	**65,564**	**(7,066)**	**–**	**–**	**58,498**
Deferred tax charged to equity	**63,016**	**(1)**	**–**	**291**	**63,306**
Acquisition of subsidiaries (Note 40)	**–**	**37,396**	**–**	**–**	**37,396**
Liabilities classified as held for sale (Note 27)	**(44,904)**	**–**	**–**	**–**	**(44,904)**
At 31 December 2017	**746,356**	**45,488**	**18,760**	**522**	**811,126**

23. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**262,583**	187,196
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(719,550)**	(523,595)
	(456,967)	(336,399)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. According to 錫惠國稅通 (2013) No.7 tax circular dated 12 December 2013, the tax authority assessed that Wuxi Wuzhou Ornament City (the "WOFE") qualified the article 10.2 of the arrangement between Mainland China and the Hong Kong Special Administrative Region for the avoidance of double taxation on income (the "Arrangement") and the requirement stipulated in 國稅函 2009 No. 601. Therefore, dividends declared to the Hong Kong holding company from its PRC subsidiaries are entitled to a lower withholding tax rate of 5% upon approval.

At 31 December 2017, no deferred tax has been recognised for withholding taxes (31 December 2016: RMBNil) that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future.

24. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**164,457**	46,451

Trade receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable on presentation of invoices or in accordance with the terms of the related sales and purchase agreements. The credit period is generally six months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

An aged analysis of the trade receivables as at end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	**98,767**	25,904
4 to 6 months	**65,391**	20,253
6 to 12 months	**130**	189
1 to 2 years	**169**	105
	164,457	46,451

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**164,437**	46,157
Past due but not impaired	**20**	294
	164,457	46,451

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Prepayments for acquisition of investments	90,592	–
Prepayments for acquisition of land use rights and construction costs	220,990	185,671
Taxes recoverable	190,683	125,805
Amount due from disposal company (Note 27)	324,404	–
Deposits and other receivables (Note (i))	1,262,274	1,383,358
	2,088,943	1,694,834
Less: Current portion	(1,998,351)	(1,694,834)
Non-current portion	90,592	–

Note:

(i) Included in the balance are (a) amounts due from related companies and related parties as details set out in Note 45(i); (b) a loan advance of RMB200,000,000 (2016:RMBNil) to an independent third party, which is interest-bearing at 6.72% p.a. and repayable within twelve months, which is secured by, inter alia, 51% equity interest of the borrower and corporate guarantees of the holding company of the borrower; and (c) a loan advance of approximate RMB194,114,000 (2016: RMBNil) to an independent third party, which is interest-bearing at 10% p.a., repayable within twelve months and secured by assets of a related company which is controlled by the Shu Brothers.

26. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	2017 RMB'000	2016 RMB'000
Current:		
Cash and bank balances	1,747,720	3,760,813
Less: Restricted cash (Note (a))	(165,302)	(92,470)
Pledged deposits	(1,236,199)	(1,982,599)
of which,		
pledged for interest-bearing bank borrowings (Note 32)	(1,031,341)	(1,746,189)
pledged for issuance of bank acceptance notes (Note 28)	(23,376)	(86,841)
pledged for a lawsuit as frozen assets	(2,819)	(659)
pledged for mortgage loans of purchasers	(178,663)	(148,910)
	346,219	1,685,744
Non-current pledged deposits for interest-bearing bank borrowings (Note 32)	90,000	–

Note:

(a) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in the designated bank accounts for a specified use.

26. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS (continued)

As at 31 December 2017, most of the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

27. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Pursuant to the sale and purchase agreement dated 25 December 2017 entered into between the Group and an independent third party purchaser, the purchaser agreed to purchase and the Group agreed to sell 100% equity interest in Xuyi Wuzhou Property Co., Ltd* 盱眙五洲國際置業有限公司 (the "Disposal Company") in an aggregate consideration of RMB350,000,000. The disposal was expected to complete in 2018. The following major classes of assets and liabilities relating to the Disposal Company have been classified as held for sale as at 31 December 2017:

	RMB'000
Assets	
Property, plant and equipment (Note 12)	54
Properties under development (Note 15)	171,074
Investment properties (Note 13)	504,500
Other intangible assets (Note 17)	103
Trade receivables	4,623
Prepayments, deposits and other receivables	58,158
Cash and cash equivalents	17,275
Assets classified as held for sale	755,787
Liabilities	
Trade and bills payables	141,953
Other payables and accruals	350,388
Advances from customers	48,145
Interest-bearing bank and other borrowings	4,900
Deferred tax liabilities (Note 23)	44,904
Liabilities classified as held for sale	590,290
Net assets directly associated with the Disposal Company	165,497

The net assets directly associated with the Disposal Company included the amount of RMB324,404,000, (Note 25) due from the Disposal Company by the Group as at 31 December 2017.

* *For identification purpose only*

28. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**1,723,424**	2,472,956
Over 1 year	**849,205**	691,507
	2,572,629	3,164,463

Certain of the Group's bill payables are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

	2017 RMB'000	2016 RMB'000
Pledged deposits	**23,376**	86,841

The trade and bills payables other than mentioned above, are unsecured, non-interest-bearing and repayable within the normal operating cycle or on demand.

The fair values of trade and bills payables as at the end of the reporting period approximate to their corresponding carrying amounts due to their relatively short maturity terms.

29. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Accruals	24,704	46,391
Advances from third parties	649,729	187,050
Advances from non-controlling equity owners of subsidiaries	–	185,704
Deposits related to construction	321,332	135,537
Deposits related to sale of properties	362,592	309,633
Maintenance funds	100,222	71,485
Others	15,196	3,630
Payroll and welfare payable	15,744	18,576
Rental collection on behalf of third parties	96,297	39,818
Rental deposits	61,482	79,497
Taxes and surcharges	85,096	101,956
	1,732,394	1,179,277

Included in the balance was an amount of RMB6,623,000 due to a related company (Note 45(i)).

Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of the reporting period approximated to their corresponding carrying amounts.

30. ADVANCES FROM CUSTOMERS

Advances from customers represent the sales proceeds received from buyers in connection with the Group's pre-sale of properties by the end of the reporting period and the commercial management service fee received from lessees.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 RMB'000	2016 RMB'000
Embedded derivatives in convertible notes (Note 33)	–	23,728

The derivative financial liabilities were stated at the fair values as at 31 December 2016.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured, payable on demand	1.65 – 15.00	2018	1,414,578	1.45 – 8.90	2017	2,014,984
Other loans – secured	8.30 – 10.25	2018	180,000	9.00 – 15.00	2017	245,400
Current portion of long term bank loans – secured	6.62 – 15.00	2018	1,225,514	5.39 – 11.80	2017	774,320
Current portion of long term other loans – secured	12.00 – 14.50	2018	420,000	8.80 – 12.50	2017	460,000
			3,240,092			3,494,704
Non-current						
Bank loans – secured	6.18 – 15.00	2019 to 2024	1,891,400	5.00 – 11.80	2024	1,475,514
Trust financing – secured	6.40 – 12.50	2019 to 2021	468,327	9.00 – 14.50	2019	810,000
			2,359,727			2,285,514
			5,599,819			5,780,218

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The Group's borrowings are denominated in RMB and United States Dollar ("USD").

	2017 RMB'000	2016 RMB'000
Analysed into:		
Repayable within one year	3,240,092	3,494,704
Repayable in the second year	984,190	1,304,939
Repayable in the third to fifth years	1,062,037	758,075
Repayable over five years	313,500	222,500
Subtotal	2,359,727	2,285,514
	5,599,819	5,780,218

The Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Property, plant and equipment (Note 12)	104,438	195,987
Investment properties (Note 13)	4,371,495	5,449,379
Prepaid land lease payments (Note 14)	1,570,518	173,259
Properties under development (Note 15)	1,610,080	979,289
Completed properties held for sale (Note 16)	1,451,343	857,111
Pledged deposits (Note 26)	1,121,341	1,746,189

On top of the pledges mentioned above, the Shu Brothers and close family members have guaranteed certain of the Group's bank and other borrowings up to RMB1,986,290,000 (2016: RMB1,675,159,000) as at the end of the reporting period.

33. CONVERTIBLE NOTES

The carrying values of the host debt components of the convertible notes as at the end of the reporting period are as follows:

	2017 RMB'000	2016 RMB'000
Convertible Notes – Tranche 1 ("Tranche 1") – host debt	**296,248**	337,491
Convertible Notes – Tranche 2 ("Tranche 2") – host debt	**299,773**	347,349
	596,021	684,840

On 26 September 2014 and 22 October 2014 (the "Issue Date"), the Company issued respectively two tranches of convertible notes ("Tranche 1" and "Tranche 2") maturing on 30 September 2019 (the "Maturity Date"), in the aggregate principal amount of USD50 million of each tranche with an initial conversion price of HKD1.78 per ordinary share of the Company. Pursuant to the indenture, if the accumulated aggregate site area of new industrial logistic projects invested by the Company and certain of its subsidiaries on the day falling 18 months after the first closing date is less than 600 mu, the initial conversion price shall be deemed to be HKD1.49 subject to adjustment in the manner provided in the indenture.

The coupon interest rate is 7% per annum, payable semi-annually in arrears on 30 March and 30 September in each year. The noteholders have the option to convert the Tranche 1 and Tranche 2 to ordinary shares of the Company at any time after the Issue Date to its maturity.

The holder of the convertible notes shall have the right to require the Company to redeem all or some only of such holder's notes at any time on or after 30 September 2017 at its early redemption amount at such redemption date as specified in the relevant notice of the relevant holder together with interest accrued and unpaid to the redemption date.

Unless previously redeemed, repaid, converted or purchased and cancelled, the Company will redeem the convertible notes at approximately 137.48% of its principal amount on the Maturity Date.

Since the conversion options embedded in the Tranche 1 and Tranche 2 don't meet the definition of equity instruments of the Company, Tranche 1 and Tranche 2, in their entirety, are accounted for as financial liabilities and are separated into the host debt component and embedded derivative component. The embedded derivatives are accounted for as financial liabilities at fair value through profit or loss. The host debt component is initially recognised as the excess of proceeds over the amount initially recognised as the derivate component, net of transaction costs allocated to the host debt component, and are subsequently measured at amortised cost.

33. CONVERTIBLE NOTES (continued)

During the year, the holders required the Company to redeem all of the convertible notes (the "Settlement"). According to extension agreements between the Group and the holders, the Settlement has been extended by instalments during the year and subsequent to 31 December 2017.

During the year ended 31 December 2017, no convertible notes were converted into shares of the Company.

The movements in the host component are as follows:

	Tranche 1 RMB'000	Tranche 2 RMB'000	Total RMB'000
Host debt component at 1 January 2016	281,374	292,204	573,578
Interest expense (Note 7)	61,185	59,471	120,656
Interest paid	(23,130)	(23,129)	(46,259)
Exchange realignment	18,062	18,803	36,865
Host debt component at 31 December 2016 and 1 January 2017	337,491	347,349	684,840
Repayments	(46,015)	(46,015)	(92,030)
Interest expense (Note 7)	48,678	42,669	91,347
Interests paid	(23,130)	(23,130)	(46,260)
Exchange realignment	(20,776)	(21,100)	(41,876)
Host debt component at 31 December 2017	296,248	299,773	596,021

Interest expenses on the Tranche 1 and Tranche 2 are calculated using the effective interest method by applying the effective interest rates of 20% (2016: 20.19% and 18.93% respectively) to the host debt component.

33. CONVERTIBLE NOTES (continued)

Separated embedded derivatives of the convertible notes

The fair value movements in the derivative financial liabilities embedded in the Tranche 1 and Tranche 2 for the years ended 31 December 2016 and 2017 are as follows:

	Tranche 1 RMB'000	Tranche 2 RMB'000	Total RMB'000
Embedded derivative component at 1 January 2016	14,636	14,636	29,272
Fair value change recognised in profit or loss (Note 5)	(2,772)	(2,772)	(5,544)
Embedded derivative component at 31 December 2016 and 1 January 2017	11,864	11,864	23,728
Fair value change recognised in profit or loss (Note 5)	(11,864)	(11,864)	(23,728)
Embedded derivative component at 31 December 2017	–	–	–

Those multiple embedded derivatives (noteholders' put options, issuer's call options and noteholders' conversion options etc., that are not independent of each other) in a single instrument that are not closely related to the host contract are treated as a single compound embedded derivative. They are presented as derivative financial liabilities (Note 31).

34. SHARE CAPITAL

Shares

	2017 RMB'000	2016 RMB'000
Issued and fully paid: 4,990,259,914 (2016: 4,990,259,914) ordinary shares of USD0.01 each	313,354	313,354

There was no movement in share capital during the years ended 31 December 2016 and 2017.

35. SENIOR NOTES

The Group has following senior notes remain in issue at the end of the reporting period:

a) On 26 September 2013, the Company issued senior notes in an aggregate principal amount of USD100,000,000 (the "2013 Notes"). The 2013 Notes are listed on the Stock Exchange. The 2013 Notes carry interest at the rate of 13.75% per annum, payable semi-annually on 26 March and 26 September in arrears, and will mature on 26 September 2018, unless redeemed earlier.

Period	Redemption price
2016	106.8750%
2017	103.4375%

At any time and from time to time prior to 26 September 2016, the Company may redeem up to 35% of the aggregate principal amount of the 2013 Notes with proceeds from one or more sales of certain kinds of its capital stock at a redemption price of 113.75% of the principal amount of the 2013 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

b) On 16 January 2014, the Company issued senior notes in an aggregate principal amount of USD100,000,000 (the "2014 Notes"). The additional senior notes are listed on the Stock Exchange and the Singapore Exchange Securities Trading Limited. The 2014 Notes have the same terms and conditions as those of the 2013 Notes, save for the issue date and purchase price.

c) On 6 July 2015, the Company issued additional senior notes in an aggregate principal amount of USD100,000,000 (the "2015 Notes"). The additional senior notes are listed on the Stock Exchange and the Singapore Exchange Securities Trading Limited. The 2015 Notes have the same terms and conditions as those of the 2013 Notes, save for the issue date and purchase price.

35. SENIOR NOTES (continued)

The 2013 Notes, 2014 Notes and 2015 Notes recognised in the consolidated statement of financial position were calculated as follows:

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	2,126,449	1,976,608
Exchange realignment	(104,452)	131,235
Interest expenses (Note 7)	297,375	291,205
Coupon paid	(277,834)	(272,599)
Carrying amount at 31 December	2,041,538	2,126,449
Less: Current portion	(2,041,538)	–
Non-current portion	–	2,126,449

36. CORPORATE BONDS

On 19 August 2016, Wuxi Wuzhou Ornament City Co., Ltd., ("Wuxi Wuzhou Ornament City") an indirectly wholly-owned subsidiary of the Company, issued a non-public corporate bond of RMB500,000,000 for a term of three years with an annual coupon rate of 6.90% ("the first tranche Corporate Bonds"). At the end of the first and the second year subsequent to the inception date, Wuxi Wuzhou Ornament City as the issuer is entitled to adjust interest rate and the holders of the first tranche Corporate Bonds may at their options sell back the bonds to Wuxi Wuzhou Ornament City in whole or in part at a price equal to 100% of the principal amount of the bond plus accrued and unpaid interest to the sold-back date.

On 19 September 2016, Wuxi Wuzhou Ornament City, issued a non-public corporate bond of RMB1,500,000,000 for a term of three years with an annual coupon rate of 7.40% ("the second tranche Corporate Bonds"). At the end of the second year subsequent to the inception date, Wuxi Wuzhou Ornament City as the issuer is entitled to adjust interest rate and the holders of the second tranche Corporate Bonds may at their options sell back the bonds to Wuxi Wuzhou Ornament City in whole or in part at a price equal to 100% of the principal amount of the bond plus accrued and unpaid interest to the sold-back date.

On 11 January 2017, Wuxi Wuzhou Ornament City, issued a non-public corporate bond of RMB1,000,000,000 for a term of three years with an annual coupon rate of 7.30% ("the third tranche Corporate Bonds"). At the end of the second year subsequent to the inception date, Wuxi Wuzhou Ornament City as the issuer is entitled to adjust interest rate and the holders of the third tranche Corporate Bonds may at their options sell back the bonds to Wuxi Wuzhou Ornament City in whole or in part at a price equal to 100% of the principal amount of the bond plus accrued and unpaid interest to the sold-back date.

36. CORPORATE BONDS (continued)

The first tranche Corporate Bonds, second tranche Corporate Bonds and third tranche Corporate Bonds recognised in the consolidated statement of financial position were calculated as follows:

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	2,023,820	–
Additions during the year	988,998	1,974,865
Repayment of principal	(120,000)	–
Interest expenses (Note 7)	222,458	48,955
Interest paid	(145,500)	–
Carrying amount at 31 December	2,969,776	2,023,820
Less: Current portion	(1,906,473)	(508,689)
Non-current portion	1,063,303	1,515,131

37. SHARE-BASED PAYMENT TRANSACTIONS

(a) Pre-IPO share award scheme

Pursuant to the board resolution dated 30 September 2012, the Group established a pre-IPO share award scheme (the "Share Award Scheme"). Under the Share Award Scheme, the Shu Brothers, the Controlling Shareholders and directors of the Company, transferred 1% of the Company's shares (representing 34,221,619 shares, the "Awarded Shares") held by them through Boom Win to seven employees of the Group. The share transfer was completed on 12 October 2012. The objective of the Share Award Scheme is to recognise the contributions of certain employees of the Group and providing incentives.

The Awarded Shares, subject to a vesting period, are being held by the trust on behalf of the grantees. The vesting period is five years, from the beginning of each instalment, during which 24%, 24%, 24%, 14% and 14% of the Award Shares granted to employee will vest on each of the five anniversaries of the first vesting date. The first vesting date is 1 January of the year following the successful listing of the Company's shares on the Stock Exchange.

The fair value of the Awarded Shares granted under the Share Award Scheme on 30 September 2012 was RMB14,246,971, which was determined by Savills Valuation, an independent firm of professionally qualified valuers, using the income approach. The significant input into the approach was estimated fair value of shares at the grant date. The consideration of the above 1% equity interest of the Company is RMB8,411,805.

The Awarded Shares are contingent at grant date and are subject to the cancellation in the event of resignation of the grantee; and the vesting conditions of the shares successfully listed on the Stock Exchange and satisfactory performance of such employee based on his or her annual performance appraisal. During the year ended 31 December 2017, the Group recognised an expense in relation to the Awarded Shares granted to certain employees of the Group amounting to RMB171,000 (2016: RMB783,000).

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HKD5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Pursuant to the board resolution dated 24 September 2013, the Company has granted share options under the Scheme adopted on 27 May 2013 to certain directors (including independent non-executive directors) and the employees of the Company and its subsidiaries (the "Grantees") which, subject to the acceptance of the share options by the Grantees, will enable the Grantees to subscribe for an aggregate of 93,119,611 new shares of USD0.01 each (the "Shares") in the share capital of the Company, representing approximately 2% of the issued share capital of the Company.

The grant of share options to each of the above directors and/or substantial shareholder and chief financial officer of the Company has been approved by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company are subject to shareholders' approval in advance in a general meeting.

The share options are exercisable during the following periods:

(i) up to 30% of the Share Options granted to each Grantee at any time after the expiration of 12 months from the date of grant and ending on the expiry date of the option period and after the Grantee has satisfied the vesting conditions specified by the Board;

(ii) up to 30% of the Share Options granted to each Grantee at any time after the expiration of 24 months from the date of grant and ending on the expiry date of the Option Period and after the Grantee has satisfied the vesting conditions specified by the Board; and

(iii) up to 40% of the share options granted to each Grantee at any time after the expiration of 36 months from the date of grant and ending on the expiry date of the option period and after the Grantee has satisfied the vesting conditions specified by the Board.

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share option scheme (continued)

The exercise price of share options is HKD1.27 per share, representing the highest of

(i) the closing price of HKD1.27 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant;

(ii) the average closing price of HKD1.256 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2017		2016	
	Weighted average exercise price HKD per share	**Number of options '000**	Weighted average exercise price HKD per share	Number of options '000
At 1 January	**1.27**	**31,585**	1.27	51,597
Exercised during the year	**–**	**–**	–	–
Lapsed during the year	**(1.27)**	**(31,585)**	1.27	(20,012)
At 31 December	**–**	**–**	1.27	31,585

There is no grant and exercise of share options during the year ended 31 December 2017 (2016: Nil). During the year ended 31 December 2017, all share options were lapsed.

The exercise prices and exercise periods of the share options outstanding as at 31 December 2016 are as follows:

2016

Number of options '000	Exercise price HKD Per share	Exercise period
4,703	1.27	14-9-24 to 17-9-23
11,521	1.27	15-9-24 to 17-9-23
15,361	1.27	16-9-24 to 17-9-23
31,585		

The Group reversed a share option expense of RMB3,144,000 for the year ended 31 December 2016.

38. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented below:

	Capital reserve RMB'000	Share option reserve RMB'000	Statutory reserve funds RMB'000	Available-for-sale investments RMB'000	Property revaluation reserve RMB'000	Total RMB'000
At 1 January 2016	95,885	21,201	322,094	–	–	439,180
Changes of fair value in available-for-sale investment	–	–	–	(2,422)	–	(2,422)
Acquisition of non-controlling interests	(9,514)	–	–	–	–	(9,514)
Appropriations to statutory surplus reserve	–	–	51,292	–	–	51,292
Equity-settled share option arrangements	–	(2,361)	–	–	–	(2,361)
At 31 December 2016 and 1 January 2017	86,371	18,840	373,386	(2,422)	–	476,175
Total comprehensive income for the year	–	–	–	1,932	121,414	123,346
Appropriations to statutory surplus reserve	–	–	23,423	–	–	23,423
Equity-settled share option arrangements	–	(18,840)	–	–	–	(18,840)
At 31 December 2017	86,371	–	396,809	(490)	121,414	604,104

Statutory reserve funds

PRC laws and regulations require wholly-owned foreign enterprises ("WOFE") to provide for the reserve funds by appropriating part of the net profit, as determined under the PRC accounting rules and regulations, before dividend distribution. Each subsidiary which is a WOFE is required to appropriate at least 10% of its net profit after tax to the reserve fund until the balance of this fund has reached 50% of its registered capital. The reserve fund can only be used, upon approval by the relevant authority, to set off accumulated losses or increase capital.

Each of the non-foreign invested subsidiaries in Mainland China is required to transfer 10% of its net profit after tax, as determined under the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to respective equity owners. The statutory surplus reserve can be used to set off accumulated losses or convert into capital by the issue of new equity interests to equity owners in proportion to their existing equity holdings.

Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in Note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2017	2016
Percentage of equity interests held by non-controlling interests:		
Wuxi Longan	**35.7%**	35.7%

	2017 RMB'000	2016 RMB'000
(Loss)/profit for the year allocated to non-controlling interests:		
Wuxi Longan	**(26,875)**	7,698
Other comprehensive income for the year allocated to non-controlling interests:		
Wuxi Longan	**67,489**	–
Accumulated balances of non-controlling interests at the reporting dates:		
Wuxi Longan	**259,086**	218,472

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Wuxi Longan	**2017 RMB'000**	2016 RMB'000
Revenue	**39,950**	31,604
Change in fair value of investment properties	**(43,009)**	28,077
Total expenses	**(43,629)**	(10,040)
(Loss)/profit for the year	**(75,281)**	21,564
Current assets	**272,233**	185,020
Non-current assets	**1,250,889**	926,631
Current liabilities	**(564,672)**	(278,643)
Non-current liabilities	**(232,718)**	(221,041)
Net cash flows used in operating activities	**(7,115)**	(65,169)
Net cash flows generated from/(used in) investing activities	**44**	(437)
Net cash flows used in financing activities	**(386)**	(65,105)
Net decrease in cash and cash equivalents	**(7,457)**	(130,711)

40. BUSINESS COMBINATIONS

The following table summarises the considerations paid and the fair values of identified assets acquired and liabilities assumed recognised for acquisitions for certain subsidiaries completed during the year ended 31 December 2017.

	Fair value recognised on respective dates of acquisition RMB'000
Property, plant and equipment (Note 12)	1,072
Investment in an associate	3,267
Properties under development (Note 15)	1,378,998
Completed properties held for sale (Note 16)	468,730
Trade receivables	25,945
Prepayments, deposits and other receivables	298,585
Cash and cash equivalents	11,510
Tax recoverable	4,348
Trade and bills payables	(100,157)
Advances from customers	(1,284,517)
Other payables and accruals	(680,034)
Deferred tax liabilities (Note 23)	(37,396)
	90,351
Non-controlling interests	(14,984)
Goodwill (Note 18)	59,633
Satisfied by cash	135,000

An analysis of the cash flows in respect of the business combinations is as follows:

	RMB'000
Cash considerations	135,000
Cash and bank balances acquired	(11,510)
Net outflow of cash and cash equivalents included in cash flows from investing activities	123,490

The contributions to the Group's revenue and loss before income tax from these subsidiaries during the year ended 31 December 2017 since the respective dates of acquisition are not material to the Group.

41. DISPOSAL OF SUBSIDIARIES

	2017 RMB'000	2016 RMB'000
Net assets disposed of:		
Property, plant and equipment (Note 12)	1,119	747
Other intangible assets (Note 17)	131	62
Deferred tax assets (Note 23)	12,606	762
Prepaid land lease payments (Note 14)	–	102,153
Properties under development (Note 15)	1,198,544	431,208
Completed properties held for sale (Note 16)	–	198,420
Prepayments, deposits and other receivables	125,316	341,026
Tax recoverable	7,295	13,970
Trade receivables	–	42
Restricted cash	–	297
Cash and cash equivalents	79	1,168
Trade and bills payables	(68,524)	(158,679)
Other payables and accruals	(43,474)	(634,187)
Advances from customers	(1,117,719)	–
Tax payable	–	(3,579)
	115,373	293,410
Non-controlling interests	(4,980)	(171)
Gain on disposal of subsidiaries (Note 5)	44,827	178,017
Satisfied by cash	155,220	471,256

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries are as follows:

	2017 RMB'000	2016 RMB'000
Cash consideration	155,220	471,256
Cash and bank balances disposed of	(79)	(1,168)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	155,141	470,088

During the year, the Group disposed of a subsidiary with no significant assets and liabilities to a related company at nil consideration.

42. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Share of the joint venture's contingent liabilities arising from litigations (Note 20)	**23,320**	–
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties (Note)	**1,505,244**	1,235,411
	1,528,564	1,235,411

Note: The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchaser's collateral agreement.

The Group did not incur any material loss during the years ended 31 December 2016 and 2017 in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

43. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases out its investment properties (Note 13) under operating lease arrangements with leases negotiated from terms ranging from 1 to 20 years. The terms of leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**325,676**	96,115
In the second to fifth years, inclusive	**997,632**	359,561
After five years	**823,009**	848,508
	2,146,317	1,304,184

43. OPERATING LEASE ARRANGEMENTS (continued)

As lessee

The Group leases certain of its office properties under operating lease arrangements, negotiated for terms of one to three years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**3,163**	2,621
In the second to fifth years, inclusive	**5,126**	1,065
After five years	**–**	114
	8,289	3,800

44. COMMITMENTS

In addition to the operating lease commitments detailed in Note 43 above, the Group had the following capital commitments at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
Contracted, but no provided for:		
– Acquisition of land use rights	**130,000**	378,200
– Properties under development	**2,026,815**	2,672,179
	2,156,815	3,050,379

45. RELATED PARTY TRANSACTIONS

Save for those disclosed elsewhere in these financial statements, the Group had the following transactions or balances with its related parties during the year:

(i) Outstanding balances with related parties and companies

	Maximum amount outstanding during the year RMB'000	**2017 RMB'000**	2016 RMB'000
Due from related parties:			
– Mr. Shu Cezhang	630	**–**	630
		–	630
Due from related companies:			
– Wuxi Wuzhou Xiangjiang Housing Co., Ltd. (Associate)	19,115	**19,115**	2,606
– Hunan Hongxiong (Joint venture)	1,850	**1,850**	–
		20,965	2,606
Due from non-controlling equity owners of subsidiaries		**11,296**	–
Due to a related company:			
– Hong Kong Wuzhou International Group Investment Limited		**6,623**	–

Balances with the related parties and related companies were unsecured, non-interest-bearing and had no repayment terms.

45. RELATED PARTY TRANSACTIONS (continued)

(ii) Compensation of key management personnel of the Group

	2017 RMB'000	2016 RMB'000
Short term employee benefits	2,478	3,970
Equity-settled share-based payment expenses	–	(323)
Pension scheme contributions and social welfare	63	231
Total compensation paid to key management personnel	2,541	3,878

Further details of directors' emoluments are included in Note 8.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2017

Financial assets	Loans and receivables RMB'000	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	–	1,547,984	1,547,984
Financial assets at fair value through profit or loss	–	12,300	–	12,300
Trade receivables	164,457	–	–	164,457
Other receivables	1,586,678	–	–	1,586,678
Restricted cash	165,302	–	–	165,302
Pledged deposits	1,326,199	–	–	1,326,199
Cash and cash equivalents	346,219	–	–	346,219
	3,588,855	12,300	1,547,984	5,149,139

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2016

Financial assets	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	518,125	518,125
Trade receivables	46,451	–	46,451
Other receivables	220,559	–	220,559
Restricted cash	92,470	–	92,470
Pledged deposits	1,982,599	–	1,982,599
Cash and cash equivalents	1,685,744	–	1,685,744
	4,027,823	518,125	4,545,948

As at 31 December 2017

Financial liabilities	**Financial liabilities at fair value profit or through loss RMB'000**	**Financial liabilities at amortised cost RMB'000**	**Total RMB'000**
Trade and bills payables	**–**	**2,572,629**	**2,572,629**
Other payables and accruals	**–**	**801,670**	**801,670**
Interest-bearing bank and other borrowings	**–**	**5,599,819**	**5,599,819**
Convertible notes	**–**	**596,021**	**596,021**
Senior notes	**–**	**2,041,538**	**2,041,538**
Corporate bonds	**–**	**2,969,776**	**2,969,776**
	–	**14,581,453**	**14,581,453**

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2016

Financial liabilities	Financial liabilities at fair value profit or through loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	3,164,463	3,164,463
Other payables and accruals	–	589,643	589,643
Derivative financial instruments	23,728	–	23,728
Interest-bearing bank and other borrowings	–	5,780,218	5,780,218
Convertible notes	–	684,840	684,840
Senior notes	–	2,126,449	2,126,449
Corporate bonds	–	2,023,820	2,023,820
	23,728	14,369,433	14,393,161

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

Assets measured at fair value:
As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	–	467,947	–	467,947
Financial assets at fair value through profit or loss	12,300	–	–	12,300

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	–	517,175	–	517,175

Liabilities measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Derivative financial instruments	–	–	–	–

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	23,728	–	23,728

There have been no transfers between of the fair value measurement hierarchy in the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

The fair values of financial assets and financial liabilities of the Group approximated to the respective carrying amounts as at 31 December 2016 and 2017.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted cash, trade receivables, and trade and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, senior notes, convertible notes, corporate bonds, financial instruments at fair value through profit or loss and other receivables. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings and corporate bonds. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings.

On 31 December 2017, if the interest rate of bank borrowings had increased/decreased by 0.5% and all other variables held constant, the (loss)/profit before tax for the year of the Group would have increased/decreased by approximately RMB8,589,000 (2016: RMB8,130,000).

(b) Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the reporting periods to a reasonably possible change in the Hong Kong dollar ("HKD") and the USD exchange rate, with all other variables held constant, of the Group's loss/profit before tax.

	Rate %	Increase/ (decrease) in loss/profit before tax RMB'000
Year ended 31 December 2017		
If HKD weakens against RMB	**–5%**	**(73)**
If HKD strengthens against RMB	**+5%**	**73**
If USD weakens against RMB	**–5%**	**134,967**
If USD strengthens against RMB	**+5%**	**(134,967)**
Year ended 31 December 2016		
If HKD weakens against RMB	–5%	(62)
If HKD strengthens against RMB	+5%	62
If USD weakens against RMB	–5%	141,956
If USD strengthens against RMB	+5%	(141,956)

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Exposure to credit risk arises primarily from its financing activities to customers.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record any significant bad debts losses during the year 2017.

The credit risk of the Group's other financial assets, which mainly comprise cash and pledged deposits, other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, convertible notes, corporate bonds and senior notes. Cash flows are being closely monitored on an ongoing basis, and further details of liquidity risk management are set out in Note 2.1.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand or within 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2017			
Interest-bearing bank and other borrowings	**3,396,799**	**2,736,844**	**6,133,643**
Senior notes	**2,117,626**	**–**	**2,117,626**
Convertible notes	**614,189**	**–**	**614,189**
Corporate bonds	**2,269,930**	**1,073,000**	**3,342,930**
Trade and bills payables	**2,572,629**	**–**	**2,572,629**
Other payables	**801,670**	**–**	**801,670**
	11,772,843	**3,809,844**	**15,582,687**

	On demand or within 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2016			
Interest-bearing bank and other borrowings	3,918,876	2,570,303	6,489,179
Senior notes	286,152	2,367,251	2,653,403
Convertible notes	48,560	1,050,817	1,099,377
Corporate bonds	645,500	1,611,000	2,256,500
Trade and bills payables	3,164,463	–	3,164,463
Other payables	589,643	–	589,643
	8,653,194	7,599,371	16,252,565

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank and other borrowings, senior notes, convertible notes, corporate bonds, trade and bills payables, other payables and accruals, advances from customers, less cash and cash equivalents. Capital includes equity attributable to the owners of the Company. The gearing ratios as at the end of reporting periods were as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Trade and bills payables	**2,572,629**	3,164,463
Other payables and accruals	**1,732,394**	1,179,277
Advances from customers	**3,395,321**	2,899,039
Interest-bearing bank and other borrowings	**5,599,819**	5,780,218
Convertible notes	**596,021**	684,840
Senior notes	**2,041,538**	2,126,449
Corporate bonds	**2,969,776**	2,023,820
Less: Cash and cash equivalents	**(346,219)**	(1,685,744)
Net debt	**18,561,279**	16,172,362
Equity attributable to owners of the Company	**3,249,411**	3,644,559
Total capital and net debt	**21,810,690**	19,816,921
Gearing ratio	**85%**	82%

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 RMB'000	2016 RMB'000
CURRENT ASSETS		
Cash and cash equivalents	659	741
Due from subsidiaries	2,941,017	3,608,178
Total current assets	2,941,676	3,608,919
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	202,314	259,902
Due to subsidiaries	–	7,405
Other payables and accruals	457	2,716
Derivative financial instruments	–	23,728
Senior notes	2,041,538	–
Convertible notes	596,021	684,840
Total current liabilities	2,840,330	978,591
NET CURRENT ASSETS	101,346	2,630,328
TOTAL ASSETS LESS CURRENT LIABILITIES	101,346	2,630,328
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	–	139,700
Senior notes	–	2,126,449
Total non-current liabilities	–	2,266,149
Net assets	101,346	364,179
EQUITY		
Share capital	313,354	313,354
Reserves (Note)	(212,008)	50,825
Total equity	101,346	364,179

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016	1,299,010	17,241	(656,416)	659,835
Loss and total comprehensive income for the year	–	–	(606,649)	(606,649)
Equity-settled share-based payment arrangements	–	(2,361)	–	(2,361)
Balance at 31 December 2016 and 1 January 2017	**1,299,010**	**14,880**	**(1,263,065)**	**50,825**
Loss and total comprehensive income for the year	**–**	**–**	**(247,953)**	**(247,953)**
Equity-settled share-based payment arrangements	**–**	**(14,880)**	**–**	**(14,880)**
Balance at 31 December 2017	**1,299,010**	**–**	**(1,511,018)**	**(212,008)**

50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Interest-bearing bank and other borrowings RMB'000	Senior notes RMB'000	Convertible notes RMB'000	Corporate bonds RMB'000
At 1 January 2017	5,780,218	2,126,449	684,840	2,023,820
Proceeds from interest-bearing bank and other borrowings	3,554,235	–	–	–
Repayments of interest-bearing bank and other borrowings	(3,729,734)	–	–	–
Repayments of convertible notes	–	–	(92,030)	–
Net proceeds from issue of corporate bonds	–	–	–	988,998
Repayment of corporate bonds	–	–	–	(120,000)
Interest paid	–	(277,834)	(46,260)	(145,500)
Imputed interest	–	297,375	91,347	222,458
Exchange differences	–	(104,452)	(41,876)	–
Liabilities classified as held for sales	(4,900)	–	–	–
At 31 December 2017	5,599,819	2,041,538	596,021	2,969,776

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2018.

FINANCIAL SUMMARY

Year ended 31 December 2017

RESULTS

	For the year ended 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Revenue	4,049,567	4,308,085	3,332,809	3,788,328	**3,545,671**
(Loss)/Profit before income tax	1,789,185	842,969	(344,586)	533,729	**(280,819)**
Income tax	(668,944)	(449,254)	(216,798)	(424,598)	**(295,606)**
(Loss)/Profit for the year	1,120,241	393,715	(561,384)	109,131	**(576,425)**
Attributable to					
Owners of the Company	1,020,036	252,863	(481,742)	100,573	**(518,494)**
Non-controlling interests	100,205	140,852	(79,642)	8,558	**(57,931)**
	1,120,241	393,715	(561,384)	109,131	**(576,425)**

ASSETS AND LIABILITIES

	At 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Total assets	15,421,132	19,372,257	21,001,762	23,469,858	**24,845,357**
Total liabilities	(11,437,057)	(15,160,974)	(16,985,879)	(19,319,563)	**(21,059,460)**
	3,984,075	4,211,283	4,015,883	4,150,295	**3,785,897**
Equity attributable to owners of the Company	3,497,744	3,667,432	3,558,283	3,644,559	**3,249,411**
Non-controlling interests	486,331	543,851	457,600	505,736	**536,486**
	3,984,075	4,211,283	4,015,883	4,150,295	**3,785,897**

MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP

1. COMPLETED INVESTMENT PROPERTIES

No.	Property	Type	Term of land	Floor area	Percentage of interest of the Company
1	Portion of Phase I to Phase IV, Wuxi Wuzhou International Ornament City, No. 668 Shengan West Road, Huishan District, Wuxi, Jiangsu Province	Commercial Apartment	Medium	95,309.07 192.63	100.00%
2	Hall A and Hall C, D Wuxi Wuzhou International Industrial Exhibition City, No. 299 Jincheng East Road, New District, Wuxi, Jiangsu Province	Exhibition hall Commercial	Medium	84,538.80 28,273.54	100.00%
3	Portion of Phase I to Phase II, Wuxi Wuzhou International Columbus City, No. 289 Guangyi Road, Chongan District, Wuxi, Jiangsu Province	Commercial Office Underground commercial	Medium	41,857.45 1,071.16 15,352.00	64.30%
4	Portions of Phase I to Phase III, Wuxi Wuzhou International Chinese Food Culture Exposition City, East of the junction of Jianghai Road and Guangyi Road, Chongan District, Wuxi, Jiangsu Province	Commercial Apartment Office Underground commercial	Medium	33,538.77 886.37 7,169.44 3,921.99	62.00%
5	Portion of Meicun Wuzhou International Plaza, No. 8 Xinyou North Road, Wuxi, Jiangsu Province	Commercial Underground commercial	Medium	7,930.71 12,984.00	100.00%
6	Portion of Zone A and Zone B2, Wuxi Wuzhou Commercial Investment Limited, Yangjian Town, Wuxi, Jiangsu Province	Commercial Residential	Medium Long	12,464.47 5,040.41	100.00%

No.	Property	Type	Term of land	Floor area	Percentage of interest of the Company
7	Wuxi New District Columbus Plaza, No. 1 Sujiang Road, New District, Wuxi, Jiangsu Province	Commercial Underground commercial Apartment	Medium	11,545.12 3,198.80 7,794.24	100.00%
8	Yancheng Wuzhou Plaza, No. 28 Yingbin South Road, Tinghu District, Yancheng, Jiangsu Province	Commercial Underground commercial	Medium	14,843.09 9,661.00	100.00%
9	Xuyi Wuzhou International Plaza, No. 2 Dongyang Road, Xuyi County Xucheng Town, Huaian, Jiangsu Province	Commercial Underground commercial	Medium	51,813.66 2,100.00	100.00%
10	Wuxi Luoshe Columbus Plaza, Luozhong Road, Huishan District, Wuxi, Jiangsu Province	Commercial Underground commercial	Medium	3,106.54 11,665.13	100.00%
11	Portion of Phase I Lot I, Rongchang Wuzhou Hardware Ornamental City, No. 3 Yingbin Avenue South, Rongchang County, Chongqing	Exhibition hall Exhibition hall underground	Medium	67,297.80 17,616.42	94.00%
12	South Parcel of Land, Nantong Wuzhou International Commercial Trade City, No. 98 Zhongxiu Central Road, Chongchuan District, Nantong, Jiangsu Province	Commercial Underground commercial	Medium	40,467.31 22,134.89	51.00%
13	Hangzhou Wuzhou International Plaza, No. 279 Yuhangtang Road, Xihu District, Hangzhou, Zhejiang Province	Commercial Underground commercial	Medium	9,306.83 13,116.00	100.00%

No.	Property	Type	Term of land	Floor area	Percentage of interest of the Company
14	Jiangyin Wuzhou International Plaza, No. 3896 Huangtu Town Cheng Road, Jiangyin, Wuxi, Jiangsu Province	Commercial	Medium	33,855.95	90.00%
15	Portion of Phase I Lot II, Baoshan Wuzhou International Plaza, Longyang District, Baoshan, Yunnan Province	Commercial	Medium	25,265.98	61.00%
16	Portion of Phase II, Longkou Wuzhou International, Junction of Nanshan Road and Longquan Road (Muhuang Road), Longkou City, Shandong Province	Commercial	Medium	24,785.84	95.00%
17	Portion of Phase I, Qianzhou Wuzhou International Plaza, No. 777 Huizhou Avenue, Huishan District Qianzhou Street, Wuxi, Jiangsu Province	Commercial	Medium	39,132.96	100.00%
18	Exhibition Hall of Changchun Wuzhou International Fur Clothing City (Phase I) Junction of Shengtai Avenue and Tianhe Road, Portion of Phase I and II, Jingyue Development District, Changchun City, Jilin Province	Commercial	Medium	37,596.30	100.00%
19	China Electrics & Electronic Appliance City of Wuzhou International, Land C, D No. 198, Chezhan Road, Liushi Town Yueqing City, Zhejiang Province	Commercial	Medium	11,110.22	100.00%
20	Yixing Wuzhou International Huadong Trade City, New Yijin Road and Donghu Avenue Interchange, Guanlin Town, Yixing City Wuxi, Jiangsu Province	Commercial	Medium	24,986.03	100.00%

2. INVESTMENT PROPERTIES UNDER CONSTRUCTION

No.	Property	Type	Term of land	Status	Percentage of interest of the Company	Expected completion time
1	Phase I Exhibition Hall, Dali Wuzhou International Commercial Trade City, Xiaguan Manjiang Area, Dali, Yunnan Province	Exhibition hall	Medium	Under construction	100.00%	June 2018
2	Xuzhou Expressway Port, No. 1-1-22, Shidai Avenue, Quanshan Economic Development Zone, Xuzhou City, Jiangsu Province	Commercial	Medium	Under construction	70.00%	March 2018
3	Shenyang Wuzhou International Industrial Exhibition City, Daxing Street, Yuhong District, Shenyang City, Liaoning Province	Exhibition hall	Medium	Under construction	100.00%	June 2018
4	Ruian Wuzhou International Commercial Trade City, Junction of New Provincial Highway No. 56 and Ciweisan Road, Ruian City, Zhejiang	Exhibition hall	Medium	Under construction	100.00%	January 2018

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